THE EMPIRE CLUB OF CANADA

Founded 1903

Addresses
2008–2009

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THE EMPIRE CLUB OF CANADA

2008–2009

105th Yearbook

Her Majesty Queen Elizabeth II
Queen of Canada
wearing Her Canadian insignia
as Sovereign of the Order of Canada
and the Order of Military Merit

THE
EMPIRE
CLUB
OF CANADA

Founded 1903

Addresses
2008–2009

God Save The Queen

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The Empire Club of Canada

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Jo-Ann McArthur
President, 2008–2009

THE EMPIRE CLUB OF CANADA PRESIDENT'S FOREWORD

Canada Day 2009

What is the role of a Speaker's Forum in the Empire Club's 2008–2009 season? In the digital age is there still a place for the shared experience of a public address? With our seemingly shortened attention spans and continuous partial attention can we really be expected to break in the middle of the day to share lunch and listen to a speech or panel discussion? I hope as you read the addresses contained within this beautifully bound low-tech delivery device called a "book," you will gain some new perceptions.

A lot will be written about the year in which we witnessed the worst global meltdown since the Great Depression. For a change we were glad to be a nation of reputedly boring, somewhat risk-averse Canadians.

While we weathered the economic storm better than most nations because of that conservatism, we are not demanding from our leaders the vision that is required to lead us into the future. While it may be the last address in this book, I highly recommend Rex Murphy's view of how we as Canadians should be demanding more—more of ourselves and of our leaders. We need to engage. And that means voting (41 per cent of us didn't in the last federal election) and making your voice matter. An engaged public results in better policy and a stronger democracy.

We heard from provincial leaders of provinces that swapped places as Have and Have Not provinces (Premier Wall of Saskatchewan and Finance Minister Dwight Duncan of Ontario).

We heard visions of the future of manufacturing, the critical need for innovation in business and leadership in alternative energy creation. We listened to speeches and panels about what constitutes literacy and critical thinking skills in a digital age and how our educational institutions need to adapt and innovate. We heard about the role of art in cultural revival and in opening boundaries. We shared lunch with real heroes from our Canadian forces who are our real ambassadors abroad. We heard from Nobel Prize laureate F.W. de Klerk on laying the foundation for a better world and had former first lady Margaret Trudeau share her personal struggles with mental health as a way to bring that issue out of the closet and into the sunlight to help others. How can you not get inspired?

Another of our past year's speakers, Jim Leech, has said, "You don't want to lose the opportunity that a good crisis brings you." I fear that as Canadians we are fast losing that opportunity to make a difference both domestically and globally.

Rosalynn Carter perhaps said it best when she said, "A leader takes people where they want to go. A great leader takes people where they don't necessarily want to go, but ought to be." Where are those future leaders?

I write this on Canada Day, as we celebrate who we are as a nation. Many of us won the lottery when we were born Canadian. Others have been lucky enough to become Canadians. Are we taking Canada and our role in its future for granted? Please take some time to read and reflect on the thoughts and ideas within these pages. Our speakers all took time to share their vision, passion and ideas. They inspired and often provoked us—hopefully into engagement! Forget toe dipping—just engage by diving into the deep end!

Jo-Ann McArthur,
President, 2008–2009

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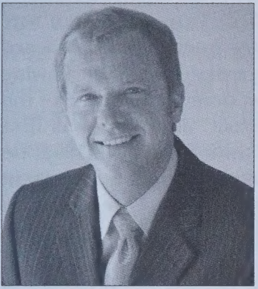


September 29, 2008

The Hon. Brad Wall

Premier of Saskatchewan

SASKATCHEWAN, THE "HAVE" PROVINCE

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Derek Nighbor, Senior Vice-President, National Affairs, Retail Council of Canada, and Director, The Empire Club of Canada; Lauren Roberts, Grade 12 Student, North Toronto Collegiate Institute; Reverend Bill Middleton, Minister, Armour Heights Presbyterian Church; Peter Varley, Vice-President, Public Affairs, The Institute of Chartered Accountants of Ontario; John Weir, Principal, Ensight Canada; The Hon. Rob Norris, Minister of Advanced Education, Employment and Labour, Government of Saskatchewan; Mike Crawley, President and CEO, AIM PowerGen Corporation; Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and First Vice-President and President-Elect, The Empire Club of Canada; Helen Reeves, Chief Communications Officer, MTS Allstream Inc.; Dr. Arvind Gupta, CEO, Mathematics of Information Technology and Complex Systems (MITACS); The Hon. Lyle Stewart, Minister of Enterprise and Innovation, Government of Saskatchewan; and Doug Turnbull, Deputy Chairman, TD Securities.

Introduction by Jo-Ann McArthur

The province of Saskatchewan gets its name from an old Cree word for the Saskatchewan River and literally translates as "swift flowing river," so perhaps it's fitting that its newest premier and head of the Saskatchewan Party hails from Swift Current. Brad Wall was first elected to the legislature as the MLA for Swift Current in 1999. He was re-elected in 2003, became Leader of the Saskatchewan Party in March of 2004, and was elected Premier of Saskatchewan in November 2007. He has been involved in politics for much of his adult life.

The Empire Club has a long history of hosting the premiers of Saskatchewan. And when you think of Saskatchewan the first image you evoke is probably a wide expanse of prairie with golden wheat gently blowing in the breeze. The grain farms of Saskatchewan have been feeding the people of Canada and the world since their settlement in the nineteenth century. But that picture is too narrow. Saskatchewan is now known as the POW province—Potash, Oil and Wheat. It is again a "have province" and indeed is now recruiting labour from other provinces. The times have certainly changed from when Premier Romanow spoke here in February 2000—reaching out to get prairie grain farmers through a cash crisis.

Saskatchewan also has a certain tradition of inspiring speakers, perhaps due to a tradition of coming to politics and public life from the pulpit—Tommy Douglas and Lorne Calvert—although I'm sure that no one would confuse the Hon. John Diefenbaker with a preacher; he was a criminal defence lawyer by profession.

Tommy Douglas, voted by CBC viewers as the "Greatest Canadian," used to say, "I was a printer and then I became a preacher. Then I became a politician and then I became a premier. And that is the true descent of man."

On Friday, Premier Wall addressed the 2008 Global Business Forum, the first time ever for a premier of Saskatchewan, in a critical discussion of the new economy. It was held in Banff, Alberta, and perhaps it felt like a bit of a passing of the torch from Alberta to a new provincial powerhouse.

Premier Wall and his wife Tami continue to make their home in Swift Current. They have three children, Megan, Colter and Faith.

Please join me in welcoming the Honourable Brad Wall.

Brad Wall

Thank you very much Jo-Ann for the introduction and to all of you for being here to provide this opportunity for me and Lyle and Rob and others who have joined me from Saskatchewan to tell our story. It is pretty easy to get a sense of home in this room especially with some friendly faces at the head table here. I had the great honour of working with Peter Varley back in Saskatchewan years ago. If there are people back in Saskatchewan who are regretting electing a new government led by myself, they owe some of the blame at least to John Weir, who actually took a chance and hired me back to Saskatchewan when I was living in Ottawa. John, it's great to see you and Margot here. Lisa Baiton and I grew up together in Swift Current. We attended Sunday School, elementary school and high school together. We were involved in provincial politics there and Lisa it is very nice to see you here today.

There are a lot of sources of perspective here for me this afternoon and that's important, because these are heady times for the province of Saskatchewan. It's a very exciting time to be the premier. I really feel that I've got the best job in Canada. I'm very, very fortunate to be in the position that I'm in. Our ministers would agree that we have this great opportunity in Saskatchewan and we need to keep the momentum going so we are always looking for perspective.

But you need to rest assured that there is a lot of perspective back home. People are always prepared to remind you of priorities. It happens in my house. I think it was about three weeks after the election. We drove home to Swift Current, and I was feeling pretty premier-like still. I walked through the door and began to issue edicts—orders to the family, including Tami who was making chili. I pointed out that there were too many onions in the chili. I told our son Colter he wasn't doing enough homework and he wasn't getting prepared for his wrestling. Then I switched to our older daughter Megan. She should clean up this and do that and finish that. Finally Megan put her pen down and said, "Dad I don't know what kind of day you had but when you come through this door you are not the premier."

Perspective is also what you get when you consider the people who have addressed this very august and storied group. I am grateful and very mindful of that amazing roster. I've had a chance to scare myself a little bit more by looking through the book, "Who Said That," by Mr. Merifield on the club's history. I think it was a part of your 100th anniversary project in 2003. And of course, in those pages are speeches from captains of industry and former prime ministers and Winston Churchill. I found one particular story that was pretty good from Commander Edward Whitehead, who spoke to the club in November 1955 about Winston Churchill. He recounted the story of how Churchill was upset with a British general. He had chastised the general who was apparently unable to communicate effectively with his troops. The general's response was, "Well I've always taken the view that familiarity breeds contempt." To which Churchill replied, "Without a certain amount of familiarity, it would be difficult to breed anything at all."

I seek today on behalf of our province and the people of Saskatchewan to increase your familiarity with Saskatchewan's story and the opportunities that exist and tell you why that's not just good for the province but very, very good for the country.

Every now and then there does come an opportunity in whatever our location or vocation may be to make a difference. Every now and then there is an opportunity to make a little bit of history, to make some positive history. The moments are rare; they come unheralded. There aren't any trumpets that sound and no one issues a press release. But I think we know, each of us, when we are in the midst of one of those moments. They come with a special gift. A chance, as the poet Samuel Johnson says, "To improve the golden moment of opportunity and catch the good that is within our reach."

For as long as I can remember, Saskatchewan has been "next-year" country. It's been that way in too much of the economy. It's been that way in agriculture. Lyle tells me his crop is looking pretty good; it's almost off now. It's been next-year country in football for far too long. Well, part of my message here today is to very modestly and respectfully tell you that in my province next year has arrived. And the evidence, anecdotal and empirical and footnoted, is compelling.

For example, most of the chartered banks continue to say that Saskatchewan will lead the nation in economic growth this year. Some are forecasting already that it will continue into next year. The Canadian Federation of Independent Business has again released the survey of its members. Businesswomen and men across the country say that Saskatchewan is leading the country. Two weeks ago news arrived that our province is leading the nation in percentage increase in international export—69 per cent. Our population is growing at the highest rate in 50 years. We lead the nation in terms of growth in retail sales. That is an indication, an ongoing indication, notwithstanding what's happening in the economy today, of the consumer confidence that exists in our province.

Saskatchewan is now the only province in the top-10 jurisdictions according to a survey of petroleum executives released by the Fraser Institute. The report ranks Saskatchewan as the sixth most favourable jurisdiction of 81 jurisdictions worldwide for petroleum investments. I wanted to add here that while Saskatchewan is ranked number six on that list, Alberta is number 29. The report described Saskatchewan as a model of stability and the jewel of Canada's oil-and-gas segment.

There was, in terms of anecdotal evidence, a recent article in the Globe and Mail, which I understand is a newspaper here in Toronto. I have an editorial board meeting this afternoon. I think I might pay for that remark. The Globe and Mail pointed out that Saskatchewan had got its groove back. I was unaware that we had lost our groove but we are grateful for that kind of recognition.

There is a long list of empirical facts that would support the thesis that Saskatchewan is leading today, and has a real chance to sustain that momentum over the midterm and the longer term and continue to lead. That's obviously positive, but the most positive thing about that is that Saskatchewan today is a "have" province. There is a government in the province of Saskatchewan with the vision and determination to ensure that we continue as a have province. And let me just say in front of this group today that our province is very, very grateful for that fact. Because of our nation, because of fiscal federalism, we have had the support and the help and the assistance of other parts of the country when we were not a have province. You need to know that part of our vision, part of our exhilaration about our new status as a have province and our determination to stay that way, is so that we can pay back a little bit. So that we can contribute more to the country and in the future of this country than we ever need to get in return.

It is a strength of Canada that when regions prosper there is a benefit to the entire country, and we are very, very grateful for the help in the past and we are very, very committed to providing that help in the future.

The ballot question a year ago in the election campaign was how are we going to keep this going? How are we going to sustain the economic momentum? I have had a number of people come up to me since the election campaign as we outline all these statistics—people who in Saskatchewan understand that things are going very well—to offer some advice on what our government should do next. And there is a bit of a common current that runs through this advice. It goes something like this, "Brad, don't screw it up."

We've worked very hard on a growth plan for Saskatchewan so as not to screw things up. To continue the economic momentum we will begin implementing it. Let me share some of the highlights of that plan with you today.

First and foremost, we wanted to de-politicize economic development in the province. For too long under parties of different stripes—this is not a partisan statement, mind you—we have relied on an economic plan that picked winners and losers. A plan that used taxpayers as involuntary venture capitalists. The net result has been projects that have failed. Whether they have been potato businesses or dot-coms or movie businesses, the economy has under-performed. We want to take the politics out of economic development.

We have a new partnership. It's called Enterprise Saskatchewan and it is constituted with all the stakeholders in our economy. Its job is to publicly hold our government accountable for how competitive our economy is and what the government is doing to ensure its competitiveness.

The second element of our growth plan is fiscal probity. We have inherited a bit of a debt. There is some debt in the province. The previous government made some modest progress on the issue. We passed, as one of our first pieces of legislation, something called the Growth and Financial Security Act. It prescribed that our government would, with unbudgeted surpluses, apply by law half of those surpluses to debt, the other half to infrastructure. Because of that decision and the decision to actually exceed that requirement on the debt, I can report to you today with pride, as we have to the people of the province, that in our first year of government we will have cut the debt of the province of Saskatchewan by a third. And you can expect to see more progress in this regard before the year is out.

Fiscal probity is absolutely foundational to our growth plan. So are lower taxes for our economy, and we are going to continue to put downward pressure on taxes and on those barriers to growth. Sometimes our efforts with respect to taxes will mean not decreases but simply the status quo. About a month after our government was sworn in, we went to Calgary to give a speech at the Petroleum Club, where I announced that Saskatchewan would not be increasing its oil royalties. It's the first and probably the only time that I have ever received an ovation for our government doing precisely nothing at all.

Infrastructure investment is key. We have heard from our friends in Alberta. We've tried to learn from their successes and their challenges that you have to balance debt reduction with investment and infrastructure to avoid some of the challenges of growth. That's very much part of our plan.

We have revamped our labour legislation under the direction and guidance of the minister who has joined us here today—the Honourable Rob Norris—to rebalance our labour legislation so that it would be fair to both sides, would not be a dis-incentive to employers to operate in the province and create jobs, and would be competitive with other jurisdictions in Canada.

Part of our growth plan is to make sure we tell our story. That's why I'm here today. We are attending a job fair in Toronto—Canada's biggest job fair. Fifty companies from Saskatchewan have joined us. We are going to get our message out.

We've been in Washington and in New York. We have a story to tell our American friends. They are unaware, for example, that 6 per cent of their electricity comes from uranium in our province and that we sell them more oil than the nation of Kuwait. This is a positive message on a continent that, I think, is looking for some constructive trade dialogue. We can contribute to it and we intend to. We intend to also get our message out around the country. We have to make sure that this new reality, this new brand, is well known.

I remember that not very long ago, I was driving our youngest daughter to a birthday party, and it got me thinking about branding methods. She said, "Dad I've got something to tell you," and that's always important so I turned down the radio and said, "What's that?" She said, "Dad I just want you to know that I've been thinking and I've decided that my favourite Coke is Pepsi." That kind of gets you thinking about branding doesn't it? Coke would be pretty happy; it got the whole segment. Pepsi would be thrilled; it got her vote in that branding segment. We have to have a brand in our province that we are welcoming of investment, of business. But we also have quality of life; that's a priority in our province as well. Ultimately, we are also seeking new partnerships within western Canada and with other provinces so that we can co-operate on a bilateral basis with Alberta and other jurisdictions to further reduce inter-provincial trade barriers and make Saskatchewan a great place to do business.

Finally, the most important element of our growth plan is our innovation agenda for our economy and I'm going to spend a little bit of time on this if I can. I think people in this room will know that we are a resource powerhouse; we have always been a resource powerhouse. Roughly a third of the potash supply in the world is in our province. Twenty-six percent or so of uranium production last year came from Saskatchewan.

We're the second-largest producer of oil in the Dominion of Canada and the third-largest producer of natural gas. We have a third of the country's Ag. biotech community at the University of Saskatchewan. And in terms of agriculture—and we don't talk about this enough and we ought to especially today when the world sees more and more of a growing middle class as hungry and hungrier and hungrier and using more intense agricultural practices to grow food and also be able to purchase the food that they need—we need to consider the following. Saskatchewan includes half of the arable acres in the country. Forty-five percent of the nation's canola production comes from our province. Thirty-two percent of the world's lentil exports are from Saskatchewan. A quarter of the world's flaxseed is from Saskatchewan. A quarter of the world's mustard production is from Saskatchewan. Thirty-eight per cent of the world's dried pea export is from the province of Saskatchewan. This is very, very significant when you think about the future.

We know we have the resources. That's our right hook in terms of our economic one-two punch. What we need to do is work on our jab—if I can use that clumsy sports metaphor. And for us the jab is the innovation economy. In western Canada, and significantly in the province of Saskatchewan, we did miss out—for the most part—on that manufacturing sector. And now we see that sector under some considerable stress right across the western economies of the world.

We have the opportunity in the province to build on some momentum already on the innovation economy to make that our one-two punch. To make that our legacy. To smooth out the bumps of a commodity-based economy, a resource-based economy. Consider with me the advantages that we already have. We do have Canada's only synchrotron at the University of Saskatchewan. You will see our government doing more with industry and the university itself to take fuller advantage and better advantage of that huge and important asset to our province. We do have a third of Canada's Ag. biotech community, as I've already mentioned.

We lead the world in carbon capture and storage and we're using it to enhance oil recovery. That project in Weyburn, Saskatchewan, together with EnCana and Apache Oil will have sequestered 30 million tonnes of carbon dioxide. We are not shifting it around, not putting a price on it, but putting it in the ground. We are in the third phase of that research project and it's demonstrated to be stable and staying right where we want it to stay.

We are going to continue to invest in that through the Petroleum Research Centre at the University of Regina. I can tell you that we are going to carve out our leadership position on clean coal. We have signaled our government's preparedness to invest about $1.4 billion in a project in south-east Saskatchewan on clean coal. We are going to co-ordinate with Alberta because they are looking at a few projects as well. We know there is a risk, but the importance of the work cannot be overstated. We are going to work aggressively in the area of adding value to the uranium that we have in our province in biblical proportions.

The next ounce of yellow cake that we add any value to at all before it leaves Saskatchewan will be the first. I think that needs to change. We want to look at the opportunities for refinement and for conversion and for upgrading.

We want to look at the opportunities around the federal government's stated intent to find that next generation of nuclear technology. We want to work with what exists in the country already through Atomic Energy of Canada Limited and think a little bit outside the box, about what's possible. We are going to be there with an investment from our province to try and build a carbon niche with respect to uranium value-added opportunities. We seek to place Saskatchewan at the middle of this action around innovation.

One of my favourite authors is Thomas Friedman. Probably most people in this room have read his first two books. Maybe you've also already read "Hot, Flat and Crowded." He was interviewed by Time Magazine in advance of the release of his latest book and asked this question: "What is your favourite renewable fuel?" Here is what he said. "You know what my favourite renewable fuel is? An eco-system of innovation. That's really what's missing today. A hundred thousand people out there trying a hundred thousand different things in a hundred thousand different garages. Who knows what would come of that?" I echo that rhetorical question. Who knows what can come of a concerted and continental effort with respect to innovation, especially in the area of environment and energy? The confluence of those two issues presents us a challenge certainly, but also a huge, huge opportunity and I want Saskatchewan to be right in the middle of it.

I was at the Western Governor's Association meeting in July and before the meeting I was at the National Laboratory in Idaho. There they had this interesting map of all the energy sources, renewable and non-renewable, along the west side of our continent and also of all the jurisdictions—the states and the provinces—that are looking at innovation around energy and the environment. It is amazing what is going on, sometimes too separately and too viscerally. It is amazing what is going on today, if not in a co-operative way. I think that Freidman is asking those questions. What is possible with respect to renewables—solar and wind and biomass? What is possible with respect to cleaning up fossil fuels? Is there an application for nuclear power to the oil sands? What about fusion? What about cellulosic ethanol? The United States government has signaled that it would like to see, at least Secretary Bodman has signaled that he would like to see, a cellulosic ethanol competitive with gasoline in five years. What is possible?

To some, some of these things seem eye-rollingly crazy, I'm sure. Probably, that is exactly how the man-to-the-moon mission speech sounded to the joint session of Congress in 1961. It might have sounded like someone was trying to change the channel after the Bay of Pigs, I don't know. But we understood the impact of that speech with a timeline and an objective. It marshaled the forces of that country to achieve an objective. That's the kind of vision we need in North America today. That's the kind of vision we need here in Canada.

There is a huge opportunity around environment and energy, but what we are going to need to succeed is a dynamic partnership of industry, of government, provinces and states and our national government and academia. That will be our focus in Saskatchewan. We are going to move aggressively to find those technological answers, and, by the way, that's why we are not as interested as some in talking about a carbon tax or even cap-and-trade systems.

We are not objecting to any of these fiscal tools in the province. We are saying that the measure of efficacy of any of these fiscal measures has got to be whether they create Freidman's eco-system of innovation? Do they get us to the answer because some of the cap-and-trade schemes that I've heard about don't have that goal? To me that is sort of like fat guys paying skinny guys to eat their dessert. You have to put away the dessert. You have to find the answer. That's the point we are making in Saskatchewan.

That is where Saskatchewan is going to go. If the cap-and-trade continental system is inevitable, and we can agree on these relatively centralized federations on caps and prices and all of that stuff, we are going to be ready because we will have made the investment in Saskatchewan and in technology that actually gets us to the answer that makes us less dependent on coal for example in our province.

In Saskatchewan, we seek that eco-system of innovation through the right tax policies. That's the moon shot folks. I believe it with all my heart today. We want to be a force for good for the country in this effort. That's part of the story that we came to Toronto with. We also want to share the prosperity and opportunities that we have in Saskatchewan with those who maybe currently unemployed or who may be losing their job in Ontario. This is a strength of this country that we love. One region can be strong when perhaps another is not as strong as it has been and can provide opportunity for others.

My Canada, ladies and gentlemen, is a place where an eco-system of innovation is one of the positive descriptors of national identity. We live in a country whose nationality and patriotism to the extent it exists is too often defined insecurely by the things that we are not. And all my friends love that "I am Canadian" rant commercial. It was pretty clever, but if you listened to it long enough it became kind of frustrating. It drew identity for the country and pride in the country from a long list of negatives—we don't do that; at least we're not like this.

I am not being critical here. That's really part of our historical DNA. For those of you who had the chance to read Richard Gynn's recent biography on John A. Macdonald, "The Man Who Made Us," you will know that this is just the latest reminder that the country was founded, bound together in union, by as many negative and preventative incentives as positive and enabling ones. But today, notwithstanding our history, think of what binds us together in a positive way.

Consider the huge resource potential of our country when the world is still looking for those resources. Consider the geographic diversity and the natural beauty. Consider the relative strength of our economy.

Consider the federation itself, which is stronger than ever. The federation which has now more a have capacity than a have-not capacity. In 2008 there is simply too much grandeur, too much opportunity for Canadians to leave. Too much strength in our federation to not tempt and tease the next great moment of fate in our country's history.

I believe that one of those moments, at least, can be found in our desire and the world's desire to have cleaner energy and how our place on the planet can offer that energy, that cleaner energy. That is our vision in Saskatchewan. That is the golden moment of opportunity that we are working hard to seize. When I get home on Wednesday night and walk through the door, Meg is right. I am not going to be the premier, I am going to be her dad, and Colter's dad and Faith's dad and someone's grandpa some day. And really that's what's at stake. That's what I think motivates all of us in what we do. It motivates our new government in Saskatchewan to leave a place that is debt-free, cleaner and stronger than it ever has been economically. That's good for Saskatchewan but it's great for Canada.

Thank you and God bless our country.

The appreciation of the meeting was expressed by Lisa A. Baiton, Vice-President, Government Relations, Environics Communications Inc., and First Vice-President and President-Elect, The Empire Club of Canada.

October 2, 2008

Dr. Jayson Myers

President, Canadian Manufacturers and Exporters Association

IS THERE A FUTURE FOR MANUFACTURING IN CANADA?

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada; Brindini Selvarajah, Senior Student, Parkdale Collegiate Institute; Grant Kerr, Associate Pastor, St. Paul's United Church, Brampton; Mark Romoff, President and CEO, Ontario Centres of Excellence Inc.; Dan Bordun, Group Publisher, Industry Group, Rogers Media; Gerry Remers, President and COO, Christie Digital Systems Canada Inc.; John W. Walker, President and CEO, Transition Plus Sustainability Solutions Inc., and Director, The Empire Club of Canada; Leslie Wood, Director, Administration, McKinsey & Co.; Craig Wright, Senior Vice-President and Chief Economist, RBC; and Suzanne Kiraly, President, Canadian Standards Association.

Introduction by Jo-Ann McArthur

I grew up in Oshawa, the city that "motivated" Canada and was highly dependent on GM's manufacturing base. Its city slogan has since changed to "Prepare to be Amazed." My dad depends upon a

GM pension. You can bet that they ask the question, "Is there a future for manufacturing in Canada?" in Oshawa—hourly.

Charles Darwin was busy publishing books in 1871, the year the Ontario Manufacturers Association, which became the CME, was founded. The definition of manufacturing then was very different from what it is today or indeed needs to be tomorrow. But as Darwin showed us, the survival or extinction of an organism is determined by its ability to adapt to its environment. We have a number of challenges facing us—a fast evolving world economy with disappearing borders, emerging economic powerhouses with low-cost labour, high commodity prices and a U.S. economy in crisis. Manufacturing is and needs to continue to be important to Canada, but as Darwin showed us it also needs to adapt and innovate.

CME's membership accounts for an estimated 75 per cent of total manufacturing production and 90 per cent of Canada's manufacturing exports. Prior to becoming President of CME, Dr. Myers was its Chief Economist, leading the association's Manufacturing 20/20 initiative, the largest cross-country consultation ever convened by Canada's business community on the future of manufacturing in Canada. He has been recognized by consulting firm Watson Wyatt as the most accurate economic forecaster in Canada so any crystal balling you want to share with us today would be most welcome!

Please join me in welcoming Dr. Jayson Myers.

Jayson Myers

Thank you Madam President. Good afternoon ladies and gentlemen. I'm honoured to address the Empire Club today.

This is a time of extraordinary economic challenge, uncertainty, and unprecedented market volatility. We need no reminder of the fact that we live in a global economy.

The impact of the U.S. credit crisis is being felt by financial markets around the world. Asset values are evaporating. Seemingly secure financial institutions are in deep trouble; some have disappeared; we'll no doubt see others fail in North America, Asia, and Europe. We've not yet seen the end of the credit crunch or the bailouts.

In my opinion, we're in for a gut-wrenching ride on financial markets for the rest of this year and next. It'll be a rough ride for us north of the border as well; already, we're being affected as investors, consumers, and employees.

That's why there's no better time than now to reflect on what it means to create real economic wealth.

Clearly the lesson of the U.S. financial meltdown is that value is not created on the basis of speculation or leverage based on thin air, on non-existent assets. As an economy, you can't sustain wealth creation on the basis of higher and higher levels of debt. You're just shuffling the chairs on a ship that's bound to sink if asset values cannot be supported by something tangible.

Wealth creation ultimately has to be secured on supply and demand for hard assets—for goods.

Now, think about it—there are only a few ways that we can produce tangible goods. We can grow them if you're a farmer; we can extract them in the case of our primary industries; we can build them in construction, and we can make them. That's what manufacturing is all about—adding value in the production of tangible goods.

Manufacturing is a very important part of the Canadian and Ontario economies. Despite the bad news of layoffs and plant closures, manufacturing still matters.

Manufacturing remains the single-largest business sector in Canada and Ontario. It's a $600-billion business across Canada. Companies that make things still account directly for 15 per cent of Canada's total economic output and 18 per cent of economic activity in this province. Manufacturers still employ nearly two million Canadians in highly productive and high-paying jobs. They pay one-third of the taxes levied on Canadian business. Their contribution is critical for the wealth generation that sustains the standard of living of each and every Canadian.

But the business of manufacturing encompasses much more than those companies that make things.

Manufacturers consume 48 per cent of the resources grown and extracted by Canada's farming, fishing, forestry, mining, oil and gas industries. Manufacturing accounts for one-third of the output of Canada's utilities sector. It consumes 30 per cent of the value delivered by business management, engineering, technical, and software services and 20 per cent of the services provided by our construction, information, transportation, distribution, and warehousing industries. Manufacturers are customers for 15 per cent of Canada's hospitality sector and for 12 per cent of our financial-services sector.

In fact, every dollar of value created by Canadian manufacturers generates more than $3 in total economic activity—$3.25 here in Ontario, the heartland of Canadian manufacturing.

That economic multiplier speaks to the supply chains that depend on manufacturing. It shows the importance of manufacturing as Canada's most important wealth creator. After all, it's that wealth that we count on at the end of the day to sustain consumer spending, along with our public and social services, our health care, education, income support, and community services.

It's the manufacturing sector that is the home of Canada's innovators; the sector whose business it is to find solutions for its customer's problems. Manufacturers account for three-quarters of business investment in research and development in this country, and even more important from an innovation point of view, they're responsible for bringing over 80 per cent of all new products to market.

Canada's challenge is to generate more innovators—more businesses focused on solving customers' problems in new and improved ways. That's the role of manufacturing, and it's what ultimately sustains prosperity in a 21st-century economy.

Manufacturers have to be innovative, because they're at the forefront of global competition. Manufactured products represent two-thirds of the value that Canada derives from the rest of the world in our goods and services exports. Manufacturers are in turn the customers for about half of the goods and services sold to Canada from countries around the world.

Manufacturing matters to Ontario and to Canada. It matters to all Canadians because our standard of living ultimately depends on the wealth that manufacturers create.

I want to emphasize that point because all too often manufacturing is dismissed as an outdated industry, a traditional industry, and one that is rapidly going out of business in Canada and across North America.

You have all heard of the 5Ds—the mistaken perception that manufacturing is dirty, dumb, dangerous, declining, and depressed. You have all heard many people, who should know better, say that Canada doesn't need manufacturing because we are transitioning into a resources-and-services economy. Well, that's just plain dumb. Who will 25 per cent of Canada's services sector serve if it loses its manufacturing customer base?

Now, I can understand why many Canadians might think that manufacturing is bound to disappear. We hear the bad news daily—the plant closures, the 400,000 job losses across Canada, half of which have occurred here in Ontario. It's a very serious situation.

Manufacturers face severe competitive pressures and financial strain. For six years, Canada's manufacturers have been buffeted by a perfect storm that has now gained hurricane strength. A rapidly appreciating Canadian dollar has cut into export sales. At the same time, soaring costs for energy and materials have eroded profit margins and cash flow even further. More recently, manufacturers have suffered from the downturn in U.S. housing, consumer, automotive, and industrial equipment markets—all key export markets for significant portions of Canadian industry. All this has exerted tremendous pressure on the bottom line. Now, credit is becoming scarce thanks to the turmoil playing out in financial markets around the world.

I don't want to minimize these challenges. Significant portions of Canadian manufacturing are at risk.

I would also argue that the Canadian economy is itself at risk if we're unable to sustain a competitive manufacturing base in Ontario or in Canada. We cannot continue to drive economic growth in this country on the basis of a commodity boom and pricing bubble that will inevitably come to an end.

Yesterday's report by TD Financial certainly paints a gloomy picture of further job losses and business closures in our manufacturing sector as a result of the credit crisis. But, as the analysis points out, that forecast is based on the assumption that nothing will change. As an economist, I know that no forecast is inevitable. In fact, in order to avoid an economic meltdown, TD's report calls for new strategies on the part of business, as well as for more concerted and urgent action on the part of governments and communities in support of our critical wealth-creating industries.

Now, you may think that I'm crazy to be optimistic about the future of Canada's manufacturing sector. I've been accused of worse—but I AM optimistic. I believe that we are witnessing not the demise of manufacturing in Canada, but the emergence of a new, more innovative, more high-tech, more service-intensive, and globally networked industry, bringing with it new opportunities for future growth.

I'm optimistic because of the good news that often goes unreported in manufacturing. I'm optimistic because I see how manufacturers across Canada are responding to the challenges they face by changing their business strategies, investing in new product development, new technologies and new markets, and improving their business processes. I'm optimistic about the new investments being made in innovative businesses and product lines, about the business opportunities that Canadian manufacturers are exploiting in new markets both at home and abroad. I'm optimistic when I see manufacturers continuing to grow their business in these challenging times.

Clearly it cannot be business as usual for anyone in manufacturing today. If companies are doing the same thing today that they were doing five years ago, I know that they're in trouble. If manufacturers intend to do the same thing they are doing today in five years' time, I guarantee they'll be out of business.

Canada's manufacturers will succeed as long as they continue to create value for both customers and investors in this fast-paced, high-risk, global economy. No company can base its competitive future today on low labour costs, nor should they try. Nor can Canadian industry compete on high volume production that the advantages of market scale and high rates of capitalization offer. Our manufacturing companies are relatively small.

Where Canadian manufacturers do have a competitive edge is in their flexibility—their ability to respond rapidly to changing customer demands, to specialize and customize production for niche markets, and to add value through the quality and services they bring to solving their customer's problems.

These competitive strengths will become even more important as we look at future market trends. In a world of intense global competition where products and services literally become commodities overnight, companies have to differentiate themselves and their products in order to compete for business and to grow. Rapid advances in technology are changing production capabilities and at the same time opening new business opportunities. Customer expectations are changing. Environmental and social sustainability are becoming standard operating practices for business. And, as more and more constraints are placed on energy and carbon consumption, even large-scale producers will have to become more specialized in terms of their products and production processes.

Now, in order to compete and grow in light of these new global market realities, manufacturers in Canada need to focus on the rapid development and commercialization of new products. They need to adopt flexible, automated, integrated, and reconfigurable technologies and production systems. They need to be lean—to focus on what their customers value and eliminate wasteful non-value-adding activities in their businesses and supply chains. They need to be fast because time is the currency of 21st-century business. They need to see their business no longer as one of getting product out the door but as one of using their capabilities to provide customer solutions. And so they need to focus on customer service throughout the whole life cycle of their products. And they need to do all this better, faster, and at lower cost than anyone else.

That's a big order. But it's what successful manufacturing companies do day in and day out. And, I'm pleased to say that some of the best are here in this room this afternoon.

The reality is that production itself is becoming a smaller and smaller component of the value being added in the business of manufacturing. Today, value is generated by the knowledge and the services that go into solving customers' problems. Value is created—and money is made—in product development, engineering, and design, in quality control, process and materials management, logistics, distribution, and supply-chain management, and in customer service and financing.

Is production important? Absolutely—it's the anchor without which many of those value-adding activities would not be required. The more important production is in providing customer solutions, the more important it is to keep production close at hand. But today manufacturing is a global business system with production and services supply chains extending, competing, and constantly reconfiguring around the world.

This is the new age of manufacturing (pulls out BlackBerry). Not a single product in the past 50 years has revolutionized the way you and I work on a daily basis as much as this tool. The BlackBerry is synonymous with innovation and yes it is also synonymous with manufacturing—Canadian manufacturing.

The BlackBerry is a testament to the changing face of manufacturing. We consider it to be a Canadian product, and we are proud of that fact.

Did you know that BlackBerrys are manufactured in seven different countries?

We consider the BlackBerry to be a made-in-Canada product because it is designed by Canadians. It is engineered here, in Canada's Technology Triangle, and it is supported and marketed here. And yes, some parts of it—the newest models and the most critical parts for new product development—are assembled here.

Welcome to the reality of manufacturing in the 21st century.

It's a new reality. It's requiring manufacturers to change their business strategies, their products, processes, and market priorities.

The future of Canadian manufacturing will be shaped by how our business leaders meet those challenges. The onus for success lies primarily on them.

We have globally successful manufacturing firms in every sector of industry in the country—from concrete and clothing, to foundry and bicycle makers, automotive and aerospace, pharmaceuticals and electronics. It's not the sector that's important, but the business leadership that counts—the ability to assess the current competitive situation and global trends, to develop and implement new strategies for growth, to take advantage of new opportunities for product and market development, and to drive cash flow and efficiency throughout their business through continuous improvement in operations and supply-chain partnerships.

Leadership depends on setting a vision, setting a course, and persevering with commitment toward strategic objectives. That's not an easy job in today's turbulent waters.

But leadership also depends on getting people to follow. Manufacturers require not only people with the right skills sets, they need to mobilize the people within their organizations to work together to achieve new goals. If leadership is about doing the right things, then equally it's about achieving results through people.

Government leaders also have a role to play in shaping the future of manufacturing in Canada and the future of the Canadian economy. Government cannot ensure the success of any company; that's the role of the business itself. But governments can work to improve the business climate that will help manufacturers succeed. As Ford's Executive Chairman Bill Ford has eloquently put it, governments need to create business conditions in which winning is possible and losing is not inevitable.

Our governments need first of all to recognize the critical role that manufacturing plays in economic growth. Simply put, they have to place more of a priority on creating wealth before they redistribute it.

Our governments need to work together to create the winning conditions for the advanced, flexible, innovative, and integrated business of manufacturing that will continue to shape prospects for Canada's economic future.

To that end, they need to encourage investment in productive assets—in new technologies, innovation, and skills development.

Governments should leave more money in the hands of those businesses investing in value-creating assets. They should make the two-year write-off for investment in manufacturing and processing technologies introduced in the 2007 federal budget permanent. They should make tax credits for research and development refundable. They should introduce an employer's tax credit for training, creditable against Employment Insurance premiums. They should eliminate other taxes on investments that create wealth.

There's more. Our governments should simplify regulatory compliance. Streamline border procedures. Eliminate barriers to trade and labour mobility across the country. Negotiate secure and open access to international markets and effectively enforce our trade rules. Invest more in business, engineering, technical and applied education. Streamline entry procedures for immigrants with the skills and experience required by business. Ensure that all Canadians have access to telecommunications and high speed Internet access. Expand and integrate our transportation and logistics infrastructure. Assure cost-competitive access to energy.

It would be reassuring if at least some of these issues were acknowledged by our federal party leaders in the current election campaign.

Business, governments, labour, and communities must work together.

Our common vision should be one of Canadian manufacturers excelling and growing in global markets—setting world benchmarks for innovation and business success.

We need to address four priorities in order to achieve that goal:

1. Continuous improvements that drive efficiencies and deliver cash savings;
2. Innovation in products, processes, and supply chains;
3. The realization of new business opportunities; and
4. The skills and capabilities of our work force.

To that end, I'm very pleased to announce today the launch of CME's new Smart Manufacturing Program. Our

Smart Program is funded by the government of Ontario, and will provide $25 million in support of manufacturers across the province. I'd personally like to acknowledge and thank Premier McGuinty for his government's commitment to assisting hundreds of manufacturers invest in their future.

The program will provide small and mid-sized manufacturers with matching funds of up to $50,000 to invest in productivity-enhancing projects. Eligible projects include lean implementation, design and quality improvement, energy efficiency and environmental management, as well as projects that focus on best practices in implementing information technology and automation.

We'll be helping manufacturers make tangible improvements in their performance, and we'll be doing this very quickly. Recipients will reap the benefits of their projects in less than 12 months and those benefits will give them the breathing room they need to take the next step, to enter the next market, to introduce the next new innovative product.

As I said, this a partnership. CME is working with the Ontario Centres of Excellence: the Information Technology Association of Canada, NRC-IRAP, Ontario's Ministry of Economic Development, the Ministry of Small Business and Consumer Services, as well as with many municipal economic development organizations across the province. We'll be reaching into Ontario communities through workshops organized over the next couple of months to help manufacturers capitalize on this important opportunity.

You can visit our website www.CME-smart.ca for more information. Members of CME's SMART team are here today to answer any of your questions. We also have information kits on the program available onsite.

I know that our new program is no silver bullet. There is no over-the-counter remedy that will magically solve the challenges facing manufacturers in Ontario or across

Canada. But the program does make a contribution. It'll be important in supporting Ontario manufacturers who continue to invest in their future.

There is a future for manufacturing in Ontario and across Canada. But the future is not a continuation of the past. And it cannot be taken for granted. We have to build our future, fighting step by step through economic uncertainty and adversity. It has to be a community effort.

The one lesson we should all take away from the current financial crisis is that every boom goes bust if it is not supported by investments that sustain wealth creation. Wealth creation is the business of manufacturing. That's why manufacturing matters. That's why it's so important to every Canadian. Our quality of life depends on it.

Now, no more talking—it's time to take action—now.

Thank you.

The appreciation of the meeting was expressed by John W. Walker, President and CEO, Transition Plus Sustainability Solutions Inc., and Director, The Empire Club of Canada.

Gerry Remers, President and CEO, Christie Digital Systems Canada Inc., Dr. Jayson Myers, President, Canadian Manufacturers & Exporters, and Craig Wright, Senior Vice-President and Chief Economist, RBC.

October 7, 2008

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Rt. Hon. Stephen Harper

Prime Minister of Canada

THE CONSERVATIVE FISCAL AND ECONOMIC PLAN FOR THE FUTURE OF CANADA

Chairman: **Helen Burstyn**
President, The Canadian Club of Toronto

Head Table Guests

John Capobianco, Senior Vice-President Corporate, Financial and Public Affairs, Edelman Canada, and President-Elect, The Canadian Club of Toronto; Jo-Ann McArthur, President, Jo-Ann McArthur Strategies Inc., and President, The Empire Club of Canada; Jamie Watt, Chair, Navigator Ltd., and Director, The Canadian Club of Toronto; Lisa A. Baiton, MBA, Vice-President, Government Relations, Environics Communications Inc., and 1st Vice-President and President-Elect, The Empire Club of Canada; The Hon. Jim Flaherty, Minister of Finance, Canada, and Minister Responsible For The Greater Toronto Area; John Koopman, Vice-President, Spencer Stuart, and Past President, The Empire Club of Canada; Janet Yale, Executive Vice-President, Corporate Affairs, Telus; Nitin Kawale, President, Cisco Canada; Jim Leech, President and CEO, Ontario Teachers' Pension Plan; James Fleck, OC, Chairman, Business for the Arts; Mark Cohon, Commissioner, Canadian Football League; and Karen Stintz, Councillor, City of Toronto, Eglinton-Lawrence.

Introduction by Helen Burstyn

And now, I would like to introduce today's special guest.

Today marks the fifth occasion that we've been honoured to have Stephen Harper speak here. The first time was back in January 2004, when he was an emerging presence on the political scene as the contender for the leadership of the newly united Conservative Party of Canada.

The second time was in November of 2005, when, as Leader of the Conservative Party, he spoke of "Restoring Ethics and Accountability to Government" at the height of the federal sponsorship scandal.

In April 2006, he joined us as Canada's 22nd Prime Minister and again made the case for accountability in government—this time, his own government.

Last November, the Prime Minister again took the stage to deliver an update from Ottawa and highlight his government's Throne Speech.

This time, Prime Minister Harper joins us on the day that his party releases its much-anticipated election platform and Canadians wait to hear how the federal leaders will respond to the turmoil in the global financial markets.

Stephen Harper has been at the forefront of national debate at every stage of his political career, and there have been many stages. He has been a federal candidate, an MP for the Reform Party, Leader of the Canadian Alliance, Leader of the Opposition, Leader of the Conservative Party, and now Prime Minister. There was also a stint as the head of the National Citizens Coalition.

An executive recruiter looking at his work history might conclude that this is a guy who likes to be in charge and who can't hold down a job.

But it's not until you read Stephen Harper's Facebook entry that you realize how truly eclectic he is.

Many of us know he is a huge hockey fan, but it turns out he is also keen on curling. Perhaps the sequel to the book he is now writing on the early history of professional hockey will be followed by a book on his other favourite ice sport.

We also learn that he's an avid karaoke singer and an accomplished self-taught piano player, but by his own admission, politics has been the better career choice and Prime Minister Harper has certainly excelled in politics.

No predictions will be offered here about what voters will decide on October 14, but if the past can offer a glimpse into the future, we know that it never pays to underestimate the formidable political force that is Stephen Harper.

Ladies and gentlemen, please join me in welcoming to the podium today, the Right Honourable Stephen Harper, Prime Minister of Canada.

Stephen Harper

Thank you very much. Good afternoon ladies and gentlemen. Thank you Helen for that kind and wonderful introduction. I want to thank all the members, directors, and sponsors of the Canadian Club for having me here today and for having me in fact, as Helen mentioned, many times over the past few years. The Canadian and Empire clubs do a wonderful job of bringing important public issues into public debate and I really do appreciate the opportunity to be part of that.

You have heard rumours of an election. I would just like to, if I could, draw attention to a few of my colleagues who are with me today. We have from York-Simcoe, our candidate and the House Leader for the government, Minister Peter Van Loan. From Simcoe-Grey, the Secretary of State for Foreign Affairs and International Trade and Sport, Helena Guergis. From Wellington-Halton Hills, Member of Parliament Michael Chong. From Eglinton-Lawrence, Joe Oliver. From Trinity-Spadina, Christine McGirr. From Brampton-West, Kyle Seeback. From Toronto-Danforth, Christina Perrault. And, of course, I would be very remiss if I did not mention the Member of Parliament from Whitby-Oshawa, the Minister of Finance, Jim Flaherty.

Ladies and gentlemen, it is always a pleasure for me to be back in Toronto and I'm very pleased today to have the opportunity to speak to this joint gathering of the Canadian and Empire clubs, especially at a time when Canadians are deciding who will lead their government and manage the Canadian economy during the coming years.

In the wake of recent global events, I want in particular to lay out our economic and fiscal plan to protect

Canadians during a time of uncertainty. I do this knowing that there are some who are disappointed that for four weeks as an incumbent government we have campaigned on a plan to move forward in the same direction instead of shifting to head somewhere else. There is the view that unless a plan is brand new it's not a plan, but the truth is the opposite. If you are making it up in response to the latest news or the latest change in the stock market, then it is obvious you really don't have a plan. Prudent leadership does not set economic strategy for the nightly news or rewrite plans for the morning papers. On the contrary, as you know from your own business experience, the strengths of a plan are advanced preparation and consistent execution. You don't shift long-term plans for short-term considerations. Shareholders like Canadians expect to see results not hear something new. In that spirit the plan that I lay before you today is tested and true.

In fact we chartered a consistent course on economic and fiscal policy since the day we took office. We said from the beginning we would make affordable tax reductions, reduce the public debt, and keep spending under control and focused on results. This realistic plan of action for the Canadian economy is built on four principles—keeping our budget balanced, lowering taxes, keeping inflation down, and investing to ensure we continue to create the jobs of the future. And in three consecutive budgets that is precisely what we have done. This approach reflects our clear conviction as Conservatives that low taxes, less debt, and controlled and effective spending at the national level are a big part of the key to the long-term success of any economy. And that is our goal. Not jumping into the latest doomsday predictions, but planning for the growth and prosperity of the Canadian economy for the benefit of working Canadian families now and into the future. It also happens to be, if you think about it, how hard-working families and entrepreneurial businesses themselves plan for success—spending on priorities, keeping their debt levels down and making investments in the future for themselves and their children.

Let me take a moment to recap some of our actions over the past year. This crisis did not begin two weeks ago. It began in August 2007 and since August of last year and again in the past few weeks we have been responding to what has transpired ahead of the curve. As an example, allow me to refer to what I said to the Economic Club of Toronto six months ago this very day. "Our export-driven economy is expected to grow more slowly over the next two years. The economic downturn in the U.S., the tighter credit market, global financial volatility, the falling American dollar all pose some serious challenges for us. Some sectors are already facing the consequences of this for longer-term adjustment pressures and although overall inflation remains low the rising costs of goods, of some goods, and in some parts of the country are squeezing the budgets of some Canadian families."

When we say that the fundamentals of our economy are different from those of the U.S. economy, we are not referring only to some different economic statistics, we are referring also to the fact that we have identified and responded to these problems earlier and better than has the United States. For example, in the United States they entered this period already running enormous deficits and adding to their debt. Their fiscal stimulus package earlier this year added further to that debt and it was short-term in nature. In Canada we have kept our budget balanced and we have been paying down debt and last fall, months before Washington did anything, we responded with tax relief, $60 billion of broad-based tax relief, for consumers, families and businesses and we did it without going into deficit. Our tax action is long-term in nature, especially on the business side, and its fiscal stimulus was actually proportionately larger than the

American package. In the United States they are still responding to the fallout of the sub-prime mortgage mess. In Canada we acted early over the past year. We acted earlier to further strengthen our banking disclosure transparency and regulations. We acted earlier to trim excesses in the mortgage market by reducing the 40-year mortgage to 35 years and requiring a minimum down payment of 5 per cent for new government-backed mortgages. And we acted earlier through legislation to give the Bank of Canada additional tools to respond to the credit and liquidity crises as it has done this week. And due to these actions we are not in a position of having to bale out our financial sector. So when some wonder in the wake of recent events why we haven't thrown together a new plan, the reply of course is that the plan on which we have been acting is the plan. In fact the very reason we call it a plan is because action is planned before it is needed. As the saying goes, it wasn't raining when Noah built the ark, which is why when the rain came Noah didn't need to panic and he didn't need to switch boats.

Let me just talk about making investments and creating jobs. I mentioned that one of the principles of our plan is making investments to create the jobs of the future. This is a fundamental difference between our approach and that of the Opposition parties.

The way the Opposition would cope with the challenges presented by the global economy is simply to throw money at it, to throw money at every problem, and to suggest that every problem demands an immediate response through short-term, high-cost intervention or subsidization. We didn't do that for the past two and a half years and we are not about to do that now. Let me remind you about the kinds of investments we are making.

Under our building Canada infrastructure plan, we are undertaking the largest investments in national infrastructure in this country in over half a century. Over the next seven years we are investing $33 billion. We have agreements signed with every province including gas-tax transfers to municipalities that we have made permanent.

We have invested heavily in education and training including an increase of 40 per cent in transfers to the provinces for post-secondary education. We also introduced assistance to address skills shortages in the trades and tax relief for those who hire apprentices. We also announced our intention in this campaign to increase funding up to $50 million per year for programs directed specifically at supporting older workers who need help in transitioning in the work force.

We are pursuing a new national science and technology strategy focused on successfully commercializing research and development, the area where Canada has fallen short in the past. In fact I will announce another specific large project in this area before the campaign is over.

We are providing incentives to transform our manufacturing sectors. We are not trying to bale out failing companies. Instead, we have created time-limited tax incentives to stimulate the deployment of new machinery and equipment. Canada can maintain a competitive manufacturing sector, but to do so in the modern global economy we must move to a higher more capital-intensive end of the industry and that is what we are trying to help business achieve.

I'm pleased to note today that our platform contains another measure along these lines. A re-elected Conservative government will enhance our support for the manufacturing sector by abolishing tariffs on a wide range of imported machinery and equipment. This will result in nearly $350 million in savings for Canadian manufacturers. Again this measure will encourage increased opportunity for manufacturing through investment in technology.

We have also created dedicated programs that leverage private-sector investment in strategic sectors such as automobile and aerospace. Today, with the launch of our platform, I am announcing our intention to expand these programs by $200 million a year each in the auto and aerospace sectors over the next four years. Let me be clear. These will not be bale-outs of yesterday's problems. We will support the development and deployment of new technology and these programs are designed to ensure that taxpayers' funds are repaid.

We've initiated the $1-billion community development trust fund targeted to rural Canada where single-industry towns have been hard-hit by problems in specific sectors such as forestry. Once again we are working with other levels of government to respond to infrastructure needs, worker retraining, and community development plans, not business bale-outs.

I should mention along these lines an additional item from our Conservative platform that we are announcing today and that is our intention to extend once again the super flow-through share provisions for the mining sector.

Finally we are pursing our global commerce strategy. Canada was one of the first countries to sign a modern bilateral trade deal. I'm referring of course to the one with the United States in 1988. Yet when this government came to office Canada had such deals with only five other countries in the entire world, perhaps one of the most pathetic records of any major trading nation. This government has already concluded negotiations on new deals with Peru, Columbia, Jordan and the four nations of the European Free Trade Association. We are also actively engaged in a number of other active discussions and negotiations. Let me just mention one interesting piece of news here. Early in our campaign I indicated our commitment to adopt certain recommendations from the Wilson Competition Panel, including opening up foreign ownership requirements in the airline and uranium sectors. This commitment is, of course, part of our platform. Should our government be re-elected, this commitment should enable Canada to rapidly complete negotiations with the European Union on an open skies agreement for the airline sector.

Ladies and gentlemen, I hope this makes clear that we have and are pursuing a considered plan to invest in the future productivity, competitiveness, and job-creation capacity of the Canadian economy. Still I want to go back to the fiscal fundamentals that underline these—balanced budgets, lower taxes, and controlled spending.

The platform we put out today has a fully implemented cost of less than $3 billion per year. That figure takes into account both our planned tax reductions and planned spending increases combined over and above things we were already doing. Ladies and gentlemen, the commitments in the platforms of the Opposition parties are at least 10 times larger than ours. Ten times. Numbers of that size, it is common sense, would mean raising taxes and running a deficit on a large-scale and overnight. That would be wrong for the Canadian economy, wrong now and with worse consequences in the future. In fact, the other parties are calling for increased taxes on both individuals and businesses including the imposition of a new carbon tax. To propose a massive increase in taxing and spending under today's economic circumstances, to propose in particular that we hit the energy and commodity sectors hardest just when their market valuations are falling is not just wrong, it shows that the platforms of the Opposition parties are written for an economic fantasy land, a place where money grows on trees, debts don't have to be paid back, and taxes are good for the economy. What the Opposition essentially proposes is to hammer any sector making money, subsidize any sector in difficulty, and throw away the solid fiscal credentials that Canada has built. This cannot be excused as proving they care or wanting to do more. When people are looking at their stock portfolios and seeing the drop, how can you tell them that your solution is to come in and hit their savings with harder taxes? It doesn't make any sense. It is a recipe for disaster, nothing more nothing less, and that is not the direction this government is going to go.

So let me be crystal clear. A Conservative government will not be raising taxes, we will not impose a carbon tax, we will not cancel planned tax reductions for business, we will not be running a deficit, we will keep our spending within our means; it is that simple. The alternative is not a plan. The alternative the Opposition is offering is just the consequence of complete panic and this government is not going to panic at a time of economic uncertainty.

Now, ladies and gentlemen, let me just conclude by saying something briefly about our tax reductions. As I said earlier, this government has proposed broad-based tax relief and implemented it. Due to a host of income tax measures and cuts to the GST, the typical working family in Canada is saving more than $3,000 per year in federal taxes since we took office. That has been important in sustaining consumer confidence given some recent cost pressures. And, of course, it is also fair for hard-working, hard-pressed Canadian families. This government has also been pursuing aggressive tax reductions for business. In fact, by 2012, Canada will have the lowest regime of business taxation in the entire G-7. Our plan makes some additional commitments to both personal and business taxation, but the measure I want to specifically highlight is the tax-free savings account.

Starting January 1, Canadians will be able to use the tax-free savings account, the biggest personal savings incentive since the creation of the RRSP more than 50 years ago. Canadians will be able to set aside savings that the government will never be able to tax again, because the money can be withdrawn at any time without penalty and without any loss to life-time savings. The savings and the earnings can be used flexibly to buy a new car, home renovations, a trip of a lifetime, anything else. Obviously, this is important for individuals and families.

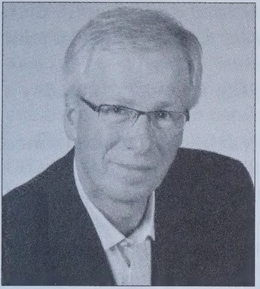
Think for a moment also about how important this is from a long-term macro-economic perspective, the creation of a powerful incentive to lead to a growing pool of national savings. Compare that with the situation south of the border with a credit market buckling under the weight of an overextended housing sector. All the incentive there has been to borrow against equity and real estate holdings leading to a housing market bubble that burst with nothing to fall back on except foreclosure and bankruptcy. By contrast, our tax-free savings accounts will create a new pool of investment capital that can be used to grow our economy and create new jobs. It will start small, just as the RRSPs did, but a generation from now I predict that this country will see the difference—much higher personal savings rates and much lower rates of government taxation on investments.

Ladies and gentlemen, notwithstanding current market difficulties, I believe in Canada's much bigger potential and I believe that if governments lift the tax load off Canadians, free them from the debt burden, and focus the spending of their tax dollars on things that actually make their lives and their economy better, then there truly is no limit to what our country can achieve. Canada has reached a fork in the road. That's what this election is all about. As I have been cautioning for a long time, we are into a period of economic uncertainty and slower growth. It has happened before. The fork in the road is whether under these circumstances we will make choices that will worsen the problems for the sake of the short term or whether we will make choices that allow us to exploit our potential in the future. Some are suggesting we go back to the old ways. Their alternative to our plan is enormous spending leading to deficits, higher taxes that will kill jobs and investment, a carbon tax that will raise prices, various forms of bale-out and protectionism and a promise to spend 30 days developing an economic plan only after they get elected. That is not a credible plan. It is a menu of all the wrong ideas at the worst possible time. I don't believe that's what Canada needs and I don't believe that's what Canadians want, but if we do not win re-election that is what the next Parliament will do. And if we do not win re-election it will make Bob Rae's Ontario look like a boom-town.

On October 14, Canadians will choose between our real plan to protect the economy amid growing global uncertainty or the panic promises of an Opposition with no real plan and with policies that will take our country and our economy in the wrong direction.

If we choose to stay the course with lower taxes, lower debt and prudent spending, Canada will come out of the current international downturn stronger, better, and more prosperous than ever before. Thank you again for your invitation and your attention.

The appreciation of the meeting was expressed by Jo-Ann McArthur, President, Jo-Ann McArthur Strategies Inc., and President, The Empire Club of Canada.



October 8, 2008

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Stéphane Dion

Leader of the Official Opposition and Leader of the Liberal Party of Canada

THE NEW LIBERAL VISION OF CANADA

Chairman: **Helen Burstyn**
President, The Canadian Club of Toronto

Head Table Guests

Chris May, Director of Government Affairs, Institute of Chartered Accountants of Ontario, and Director, The Canadian Club of Toronto; Jo-Ann McArthur, President, Jo-Ann McArthur Strategies Inc., and President, The Empire Club of Canada; Rocco Rossi, CEO, Heart and Stroke Foundation of Ontario, and Director, The Empire Club of Canada; Nitin Kawale, President, Cisco Canada; Janet Yale, Executive Vice-President, Corporate Affairs, TELUS; Martha Hall Findlay, MP for Willowdale, and Federal Liberal Party Associate Finance Critic; David Pecaut, Senior Partner and Managing Director, The Boston Consulting Group, Chair, Toronto City Summit Alliance, and Co-Founder, Luminato; The Hon. Ralph Goodale, MP for Wascana, and Opposition House Leader; and The Rt. Hon. Paul Martin, Former Prime Minister of Canada.

Introduction by Helen Burstyn

Good afternoon ladies and gentlemen.

On behalf of the Canadian Club of Toronto and the Empire Club of Canada, I thank you for joining us today for this very special joint presentation.

Thank you, as well, to Cisco and TELUS, sponsors of today's event.

One of the great liberal prime ministers, Lester Pearson, once said that politics is the skilled use of blunt objects.

But in stressful times, faced with complex issues, people tend to look for simple answers, and for leaders who say they have them. Bluntness comes to the fore; skill and subtlety tend to get lost in the shuffle.

Two years ago, we witnessed one of the most exciting leadership conventions in Canadian history. Stéphane Dion was elected as the 11th leader of the Liberal Party of Canada on the fourth ballot. It was an extraordinary result for an underestimated candidate.

Stéphane Dion himself admitted at the time that being underestimated was his personal weakness. But at the same time, he said, "It is my strength."

Being underestimated was certainly part of his ascension to the Liberal leadership.

But Liberal Party members chose him for a reason. It was partly his integrity that inspired them.

It was also an appreciation of the ambitious vision articulated in Mr. Dion's platform—his "three-pillar policy" integrating economic prosperity, social justice and environmental sustainability.

No one can dispute Stéphane Dion's courage. His support for federalism may have cost him dearly amongst nationalists in his native Québec, but his performance in last week's debates had many in La Belle Province thinking he'd make a pretty good prime minister.

The Green Shift has proved challenging to communicate, but what is abundantly clear is that he cares deeply and passionately about the environment.

Of course, the state of the economy and how to protect it has become a central issue in this campaign. Again, Stéphane Dion has taken the initiative with a five-point, 30-day action plan.

During last week's debates Stéphane Dion underlined what he felt is an essential difference between his Liberal Party and the governing party. He believes that government matters. With so many critical economic and social issues facing the nation, he said this is not a time for a "laissez faire, I don't care" approach. Government has a role to play right now.

Stéphane Dion has always been a man with the country's best interests at heart. He's genuine, intelligent and passionate about making this a better country, and a better world.

In short, Stéphane Dion is a standard bearer for both liberal values and Canadian values.

Please join me in giving a warm welcome to the Leader of the Official Opposition and Leader of the Liberal Party of Canada, the Honourable Stéphane Dion.

The Hon. Ralph Goodale and the Rt. Hon. Paul Martin also gave introductory remarks.

Stéphane Dion

Thank you so much for giving me this opportunity to speak to all Canadians—to the people of Toronto, of Ontario, of Quebec, of Saskatchewan, to all Canadians. We need to be together. What we are facing is very big, but we are a great people up for a great challenge.

As you know, yesterday Stephen Harper was in Toronto to release his platform. I have to apologize I cannot do the same with you today. We Liberals released our platform over two weeks ago, because I believe that Canadians deserve to see a party's platform more than one week before election day.

With an election less than a week away, Canada's economy is confronting significant challenges. We are facing a volatile stock market that is understandably a concern for every Canadian looking at his savings, his home, and his pension. Canada has the worst economic growth in the G-8 so far this year, our worst performance since 1991. This summer we saw the single-worst month of job losses since 1991. We have had nine straight months of falling labour productivity, our worst performance since 1990. And now chief economists from our major banks are forecasting a recession for Canada.

Stephen Harper has done nothing to meet these challenges. He has failed the first and most important test of leadership. Stephen Harper is saying, "I don't care." He is singing that same old song, “Don’t worry, be happy,” rather than acknowledging the fear and hurt being felt by Canadians. Stephen Harper said yesterday that he saw buying opportunities in the stock market. He is completely out of touch with the impact the current economic turmoil is having on the lives of everyday Canadians. We Canadians worry about our savings, about our jobs.

Stephen Harper has no plan. That isn’t good enough. We have to act now. Doing nothing is not an option. We Liberals have a plan for this country, both for our long-term prosperity and for the short-term challenges we face right now. We have unveiled an action plan for the first 30 days of a Liberal government. Our plan will accelerate investment in manufacturing, in infrastructure, to create jobs, well-paid jobs, good jobs, green jobs, new jobs. There is no time to wait. We need shovels in the ground. We need to improve our public transit with green infrastructure. We need to create jobs now.

We need to work with financial regulators to evaluate our regulatory framework and our fiscal position to ensure the government is doing what it can to protect our savings, our homes, our pensions. We need to look at options such as raising the level of deposit insurance on Canadian savings or ensuring that seniors are not forced to withdraw their savings from their registered and retirement income funds during this time of market volatility. We need to look at all of that.

We Liberals understand that we need to work with premiers, not against them. Unlike Stephen Harper, I will meet with first ministers to work towards common goals. Stephen Harper has taken the opposite approach. He has chosen not to hold the former first ministers meeting. Jim Flaherty is finance minister. He said that Ontario would be the last place someone would want to invest. What kind of government attacks its own citizens and the economy of its largest province? I understand the challenges facing Ontarians and I believe in the immense potential of

Ontario as our main economic engine for a richer Canada, a fairer Canada, and a greener Canada.

Maybe if Stephen Harper spent less time distorting me and my plans he would have been able to come forward with a real platform, not a brochure. Stephen Harper's agenda is one of distortion and dishonesty. He may speak better English than I do, but I speak the truth better in both official languages than he does.

With six days left in this election Mr. Harper's platform is too little too late. It offers nothing to put Canadians' minds at ease and offers no vision for our country. Isn't it irresponsible that a quarter of the price of his platform is devoted to what? To the economy? To health care? To the environment? No. It is devoted to a two-cent decrease on the tax on diesel fuel. A quarter of the cost of his platform. This is the king of all gimmicks. The very next day after Stephen Harper made this announcement, the cost of diesel went up by two cents. Such a gimmick will do nothing to strengthen our economy. There is not an ounce of vision in Stephen Harper's platform. Stephen Harper suffers from the same fatal flaw as other right-wing politicians. He talks about shrinking government and then he spends and spends, building nothing with no plan. Many Canadians who thought they would vote Conservative are reconsidering their choice now, because they understand that the Conservatives are poor managers of the economy. I say to all these Canadians, "Join us." Join us Liberals because we understand how the market economy works, how the government works and how the two must work together.

Look at my team of Ralph Goodale, John McCallum, Martha Hall Findlay, all my colleagues in this room. Isn't it impressive? I'm so proud of my team. In Toronto itself I have the material for two cabinets. What will I do? Are you not impressed?

History shows us that in tough economic times progressive governments put economies back on track.

Clinton after Reagan and Bush. Blair after Thatcher and Major. Chretien and Martin after Mulroney. And, of course, McGuinty after Harris. The basic reason for that is that Conservatives don't understand how the government works for the people and for the economy. We Liberals understand the economy, and understand the government. It is why we need to win the next election for the sake of Canadians.

Yesterday Mr. Harper said that during an economic storm was no time to switch votes. Well I say the captain of the boat is asleep at the wheel. For the sake of all Canadians, we need to change course, we need to change the captain, we need to change a whole group.

Jack Layton says he has a plan. Unfortunately his plan is paid for with monopoly money. His plan is a job killer, a plan that will raise taxes on our businesses by $50 billion, putting at risk the jobs of our workers and their families. Does Mr. Layton think he will attract investments to Canada by making it more expensive to do business in Canada? Jack Layton says that a cut in corporate taxes is a right-wing policy. Well, if that were true, it would mean that Sweden with its low corporate tax rate would be a hot bed of neoconservatism, while the United States with its very high corporate tax rate would be a socialist paradise. A low corporate tax rate is not a right-wing policy. It's not a left-wing policy. It's the right thing to do. For generating investment, for creating jobs, it's the right thing to do.

Many Canadians are trying to decide whether to vote for the NDP or Liberal. We share many of the same social values. We want the same thing at the end of the day—the same goals for a fairer Canada. I say to all Canadians committed to social justice Canada will never have a prime minister more committed to fighting poverty than I.

As we fight the fight against climate change, the worst environmental threat many of us are facing, I say to these Canadians committed for a green agenda, Canada will never have a greener prime minister than I. I say to all these Canadians we cannot wait. We need a fairer Canada today. We need a greener Canada today. We need a Liberal government that will build this greener and fairer Canada on the foundation of a strong economy. This is what we need.

For the short term, the turmoil in which we are in, and for the long term, to ensure that Canada succeeds in the twenty-first century, our entire plan is designed to make Canada more sustainable, more innovative, more energy-efficient, more competitive in the world economy, because for Liberals it is always the economy first. No other party is offering a stronger plan to reduce income taxes for families and for business to boost investment in R&D and green technology. Two hundred and thirty of Canada's leading economists have written supporting the principles of the green shift. Cut taxes on those things that help our economy grow—income, innovation, investments, our savings—and shift those taxes to pollution. These economists have all said that this is good for the economy and good for the environment, good for your wallet and good for the planet.

A green shift is good for the whole country and certainly good for Ontario. In addition to our commitment to invest in clean energy and to invest $1 billion to attract investment into our manufacturing sector, our plan includes boosting the tax credits for R&D, and the very, very generous accelerated capital cost allowance for investment in energy-efficient machinery and equipment. It is what the Ontario economy needs. It is what it will have with a Liberal government.

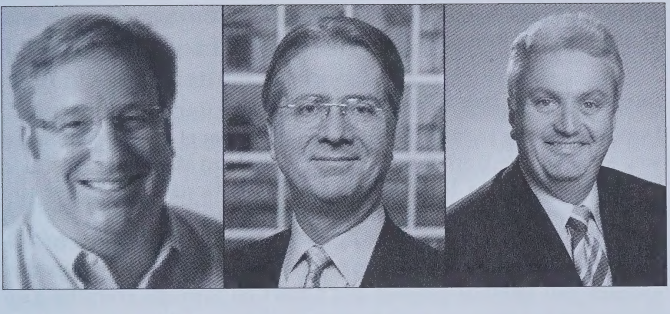
All this with the economy, the environment and social justice will be done with the fiscal discipline that is now part of the Liberal DNA thanks to Jean Chretien and Paul Martin.

Yes, we have a plan for the long term and a plan for the short term; a plan for us and a plan for our children.

Let me conclude on a more personal note. I entered politics after a long discussion with my wife Janine and I will never thank my family enough to have accepted this sacrifice. I entered politics at the insistence and invitation of Prime Minister Jean Chretien. In fact, it was Madam Chretien. I went because I wanted to help my country to stay together. I went because Janine and I wanted our daughter Jeanne to enjoy Toronto in Ontario as part of her country as much as your children and grandchildren enjoy Montreal and the whole of Quebec and Quebec City as part of your country. This was the motivation for me and I did it because I love my country, but also because I know what it represents in the world as a hope. It is proved that people with different languages and accents, people with different backgrounds coming from everywhere in the world may be stronger, better citizens on the planet because they are together. This is what Canada is all about.

I want to be prime minister of this united Canada because I know that together we will face the difficulties of today and make sure that Canada will be a leading country of the twenty-first century—a richer, fairer, greener Canada. It's what I want to do. It is why I will fight to the last minute to win this election for Canadians. When you go home on October 14 after having cast your vote for the Liberals, I want you to proudly look into your children's eyes and grandchildren's and say to them, "I voted for me for the tough times in which we are, to have a government that cares and will help me, but I voted for you too, for your future, for a government that will not only govern for the next election but also for the next generation." Merci.

The appreciation of the meeting was expressed by Jo-Ann McArthur, President, Jo-Ann McArthur Strategies Inc., and President, The Empire Club of Canada.



October 17, 2008

A joint meeting of The Empire Club of Canada and
The Canadian Club of Toronto

Jamie Watt
Chair, Navigator Ltd.

Robin Sears
Principal, Ensight Canada

Richard Mahoney
Principal, Ensight Canada

POST ELECTION PANEL

Chairman: **Helen Burstyn**
President, The Canadian Club of Toronto

Head Table Guests

Jo-Ann McArthur, Principal, fisheye, and President, The Empire Club of Canada; Robert Granatstein, Firm Managing Partner, Blake, Cassels & Graydon LLP; Robert Deluce, President and CEO, Porter Airlines Inc.; Lorna Counsell, Director, Legal and Regulatory Affairs, Porter Airlines Inc.; John Weir, Principal, Ensight Canada; and Martha Durdin, Principal, Ensight Canada.

Introduction by Helen Burstyn

I would now like to introduce today's guest panel. Please join me in welcoming Jamie Watt, Robin Sears and Richard Mahoney.

Jamie Watt was the senior communications advisor for the Ontario Progressive Conservative Party in the landmark 1995 and 1999 elections and held the same position in the Office of the Premier. He has chaired several campaigns and is a highly regarded speaker and political panelist and I can't go through everything on his resume because we don't have enough time today.

Robin Sears has over three decades of public policy and public affairs experience. He is a former national director of the New Democratic Party and served as chief of staff to then-premier Bob Rae. He was also Ontario's senior diplomatic representative in Asia Pacific in the early nineties.

Richard Mahoney was executive assistant to the Right Honourable Paul Martin and has advised politicians at all levels of government in Canada. He is a former president of the Ontario Liberal Party, former candidate, and a frequent media commentator on Canadian politics and public policy.

Welcome to our panelists.

Jamie Watt

Good afternoon everyone and thank you for taking time out of busy calendars to be with us today. We're excited about what we have to chat with you about today and hope that you will find it as interesting and perhaps, more importantly, useful as we've done.

On Tuesday, Canadians made Stephen's Harper's life and his task as Prime Minister much more complicated. Even with the stronger minority government that we gave him, the challenge of managing Canadians' expectations of him and his government is manifestly more complex today than it was in 2006. The way Prime Minister Harper sees the outcome of Tuesday's election and the way some other participants—the media and perhaps some of you in this room—see it is quite different. As Mr. Harper has said on many occasions he views the path to a stable, durable, Conservative majority government replacing the Liberals as Canada's natural governing party as a long march; as a marathon as opposed to a sprint.

In the campaign just finished, he achieved several important milestones. He broke through Ontario's resistance. He won new levels of support amongst Canada's ethnic communities and new Canadians and he began to make urban inroads. It also looks like he has bridged the gender gap with important groups of women and significantly he held Quebec, held his beach-head in Quebec, in the face of very strong political crosswinds.

At the same time, Monsieur Duceppe had some success in frightening Quebeckers about the prospect of a Harper government. Those very same claims had no impact in English Canada.

So whether you accept Mr. Harper's view of his achievements or whether you prefer the conventional wisdom that he fell short, there isn't any question he did make significant political gains. The significance of these gains, however, is matched by the challenges his new government must now confront.

Having been elected the first time in the midst of a booming economy, spending and resource allocation choices were relatively easy. This time his voters face diminished economic prospects and increased worries about their retirement savings, their pensions, and their jobs. This time frankly their expectations will be much harder to meet. They will be harder to meet when you consider a stretched budget pantry and demand far greater than any government's ability to deliver.

Mr. Harper is now an incumbent returned to office. No longer is he able to point backwards or across the aisle as reasons for failing to perform. A strengthened New Democratic Party in Ottawa and increasingly skeptical provincial governments in Ontario and Quebec limit his political freedom to manoeuvre. And of course there is Danny Williams.

Cross pressures are the story not only of the outcome of election 2008, cross pressures are the story of the road ahead. And the list of those pressures is a long one—failing Ontario manufacturers, declining government revenues, an unhappy Quebec, conflicting environmental expectations among his supporters, and Canadians who want strong economic measures at a time of global economic crisis—and all to be delivered with the finesse required to avoid political bloodshed. Juggling these competing demands will test this Prime Minister's ability to lead Canada in uncertain times.

To explore these questions, to get under last Tuesday's results, Ensight talked to Canadians. In the 60 hours since the polls closed, our team of 20 researchers and consultants have travelled from coast to coast and analyzed and assessed what we heard. We were in Ottawa this morning for breakfast. We are here for lunch today and I should pause for a moment to say the only way we could have done that is with the help of our good friend Bob Deluce from Porter Airlines. I know I'm not supposed to do a commercial but I'm going to do one anyway. Not only was Porter the only one that logistically could get us here in their downtown-to-downtown service, but I can tell you the way they whisked us through the airport you would have thought we were travelling with the President of the United States. The service was amazing. We are also here today because of the great support we have from Blakes. I would like to thank Rob as well. Blakes understands how business impacts government and how government impacts business. We are very grateful to Blakes for the enormous support they have given us in this project across the country. We will have the privilege of being in Calgary for them on Monday morning.

So for the second time in as many elections, we at Ensight have been the first to determine why Canadians voted as they did, what it means, and crucially what they expect. In our work this week, if there was one commonality, it was this: this election was a complete waste of time and money. In some quarters, particularly here in Toronto, feelings verged on anger. In others like Calgary, participants were ambivalent. Importantly though, there was a widespread consensus that the election had come at a price of more than just money, that the election had prevented meaningful action from being taken to protect Canadians and to protect our economy amidst a financial crisis that had become apparent mid-campaign.

For the five weeks of the election nothing got done. And now the Harper government needs to play catch-up. It needs to get to work right away to appoint a cabinet. The runway is short and the takeoff should be swift. One man in Halifax complained that the news of the crisis itself and its implications would have emerged earlier and been understood earlier but for the election.

Now in this election Canadians were looking for a reason to vote. They were actually looking for a clear vision or program, something on which to galvanize themselves and frankly they were disappointed. There was a level of disengagement and frustration with all of the parties' lack of ability to present a compelling message. This directly contributed to the historically low voter turnout we saw on Tuesday and was reflected back to us in our work this week. What's more, there was broad dissatisfaction with the choices on offer. One woman spoke for many when she said, "I held my nose and voted." The participants clearly identified Stephen Harper as by far the best choice for uncertain times. They did though yearn for some more empathy in the economic recovery messages and, while they certainly thought he was up to the job, their enthusiasm was distinctly muted even amongst his own voters. Whenever participants discussed whom they saw as Harper's opponents, even when they turned to the future, they mentioned Duceppe, they mentioned Layton, they mentioned the media. Tellingly, apart from a few in

Quebec, one person was almost never mentioned—Stéphane Dion.

Canadians' relationship with Mr. Dion was over before the election began. More in sorrow than in anger, Canadians had, in the terms of a modern relationship, simply moved on. Conservative attacks on Dion's leadership eventually came to be seen as unnecessary and fortuitous. Voters had already closed that chapter and even among life-long Liberals Dion was seen as barely votable. And that's why there is such widespread expectation that he will be gone as leader of the Liberal Party of Canada before the new year. Among the names that enlisted some excitement were Ignatieff, Rae, Kennedy, McKenna, and, interestingly, Justin Trudeau.

We heard our friends in the media confidently proclaim three truths. One: Canadians deliberately chose a minority government. Two: every party and every leader lost. Three: each party suffered gaff damage.

In our view, Canadians disagree. Outside Quebec, participants weren't scared of a Tory majority and it was not a factor in the way they voted. There was of course in Quebec a different story. Almost every voter told us that they voted strategically. Some wanted to stop a Conservative majority and many just couldn't bring themselves to vote Liberal. Quebeckers were glad to have a minority. Quebeckers want the Harper government on a short leash. Now, as always in elections, there were winners and losers, but at the end of the day people were clear. Stephen Harper won and Prime Minister Stephen Harper has been given a mandate. We found the people, those so-called ordinary Canadians that Sarah Palin likes to talk about, understood the difference between a substantive policy misstep and a so-called puffin-poop gaff.

We heard something new in our work this week; something that needs to be explored over a longer period, but something that we wanted to highlight and share with you today. There's emerging evidence that Stephen

Harper is making significant inroads with an important segment of female voters. We found women were in tune with Harper on issues like fiscal management and the role of government in the economy. The television ad that Conservatives ran in the campaign's final week, you might have seen it, the one that showcased a mother concerned about the economy, placing her trust in Stephen Harper, now not only makes a lot of sense but was clearly a clever move.

Cross pressures, tensions, even paradoxes, are research highlights of what lies ahead. Canadians very much continued to vote with regional interests in mind. Conflict between these interests will continue to present challenges for the new government. Quebeckers voted for those seen best to defend their interests whether it be in culture, or crime, or values or who they believed understood them. When asked why they didn't support Harper the universal response was, you can predict it, cuts to the arts. We peeled away at that though and we found something more profound and indeed more challenging for Harper. It is undeniable that the Conservatives' approach to young offenders and arts funding was unpopular and out of sync with Quebec, but, that said, Monsieur Duceppe was very skilful, clever even, in using these issues to light a fuse. And while it could have been safe injection sites or immigration or a host of other policy areas for that matter, those choices gave Duceppe the ability to reawaken that deep and abiding sense amongst Quebeckers that Harper still does not understand us.

What a difference two years makes. In our study conducted after the last election, Harper got points from Quebec participants not only for his efforts to learn and subsequently master French, but for his effort to understand their issues. And now, however, despite the attention lavished on Quebec by the Harper Conservatives, the culture and crime policies appear to have erased almost all of this hard-earned goodwill. And as prime ministers before him have discovered, courting Quebec inspires resentment in other parts of the country. Many participants said, "Enough is enough."

In Halifax, "the Maritimes want in" was the frustration voice. Atlantic Canadians see the West awash with oil money, they watch as the federal government lavishes money on struggling sectors in Central Canada, and they see themselves left behind. There was a hint of sadness amongst Maritimers that their neighbours, friends and family had to pack up and leave for work elsewhere. "It's time," they say, "that off-shore revenue deals are redone."

Calgarians are still haunted by the spectre of the National Energy Program all these years later, a powerful memory reawakened and triggered by Dion's green shift plan. Interestingly, while Calgary men demonstrated a high degree of concern about the environment, the carbon tax was the non-starter in the home of the oilsands. But they are as concerned about the environment as anyone else in the country.

British Columbians are keenly aware of their diversity. They see it as a source of tension with the traditional English-French duality in Quebec and the federal government.

And, as always, we Ontarians see ourselves as Canadians first, but we've changed a bit and we feel that our province is no longer being treated fairly by the federal government. And alas, at the end of the day regional tensions and considerations still drive our votes.

Paradoxically, Canadians want to see consensus and action at the same time. What a Canadian proposition! Canadians' conflicting demands on Mr. Harper place him in a really unenviable position on a whole range of issues. It is not that you can say that he's damned if he does and damned if he doesn't, but his path of political manoeuvre, his path forward, really has become a tricky one. Canadians expect decisiveness and action from their leaders especially in these uncertain times. But they also want to see Harper build consensus with the other parties. And the difficulties here for Harper were on view as soon as this week when on Wednesday he announced his six-point economic plan. The people didn't hear much about the plan because it was announced the day that we were chatting with folks, but we did have a chance to explain the plan to them. There was mild approval. They thought that this was the kind of quick action that would be needed from a seasoned economist, but there was a problem for Harper because as soon as he announced the six-point plan up pops Mr. Layton to say, "Hold your horses. Who told you that you have a mandate to do this?" It is a challenge that Harper will have to contend with over and over again in this new Parliament.

When it comes to the economy there was a real mood, to borrow an American phrase, a John McCain phrase, of country first. The participants want all the parties, every last one of them, to grow up. They want an end to partisan bickering. They expect the parties to deliver what the country needs to get through these times. They expect the Prime Minister to do something. They gave him wide latitude to ram through a tough economic package through the House of Commons. In particular, men said, "Just get it done." Stephen Harper, as I said earlier, is a Prime Minister with a mandate to lead.

Now, because this is Canada, he has to do that in a co-operative nice way with the Opposition. His tone needs to be different. Participants want him to adopt good ideas when they come from the Opposition. They would even be happy if he would consider an alternate point of view and would welcome that approach. They want him to listen and to be respectful of those with whom he disagrees and those who disagree with him. A little bit of honest consensus would go a long way with the voters.

There was a time when calling for tax cuts and eliminating deficits was a controversial, even extreme, approach. We assumed that argument had been settled long ago. And yet, for the first time in more than a decade, we are beginning to see the view that the federal government can run deficits under certain circumstances. Global economic headwinds have softened the public to the possibility that the era of surpluses is over at least for the time being. No alarm bells went off when we raised the suggestion of deficits. There is no question, however, that these participants remember the previous deficit era and the lessons learned and have no tolerance for ad hoc or partisan deficit games. Were the government to go into deficit for strategic reasons, the participants expect the government to have a plan to return to a balanced budget and to do so quickly. Deficit spending is not something they are prepared to consider normal and it cannot be permanent.

Now I don't want to overstate this. These are the beginnings of a fissure. But as the economy worsens, these fissures could become cracks and we don't really see any reason why other fiscal or economic dogmas, however sacrosanct they may have seemed, would not be off-limit for debates. If deficits are touchable, then what isn't? This, of course, creates a serious tension between accommodating these concerns, dealing with an economic downturn and Prime Minister Harper's core voters for whom a deficit is an anathema.

There is a hesitant willingness to allow the government to use fiscal and economic levers to intervene directly in the economy. People recognize that the government may need to make strategic investments; the government must however put country first. That means that if there is a choice between a Canadian interest and a foreign one we must protect the Canadian interest. That proposition is, of course, at odds with Harper's base, which opposes direct intervention in the economy, and yet the call for a Canada-first economic policy is consistent with the Prime Minister's national vision and therefore must be a consideration.

Over and over we heard from participants the fundamental belief that Canada's banking system is strong because it is different and insulated from those in other countries. People believe that it is precisely because our financial institutions have been held back, that they have remained isolated from the financial crisis sweeping the globe. So to those of you who would advocate that our banks should now expand internationally through mergers and acquisitions, or merge and lessen competition, I can tell you you're not going to find any public support.

During the election we recall Harper hammered repeatedly on the strength of Canada's financial institutions and regulatory regimes. He harped on that report that came out saying our banks were the best in the world. Well guess what? People listened. His campaign success has now become a governing challenge. Canadians believe that our banks are different and that they are not in any way affected by the global credit market crisis. This of course poses a conundrum. If support for the financial-services sector becomes necessary, it is going to be met with pretty strong resistance from the public. For those measures which might be considered to strengthen our banks—mergers, cross-pillar expansion, foreign investment—there isn't just skepticism, there's hostility and this isn't coming out of old-fashioned bank bashing. It arises from a perception that our financial institutions are strong and profitable. It arises from a perception that we got it right and the rest of the world got it wrong. And don't even think about asking for anything that could be interpreted as a traditional bale-out or subsidy for a manufacturing business that was going into difficult times. People were clear about that. It is just good money after bad.

Mid-campaign Harper announced his pledge to remove all Canadian troops from Afghanistan by 2011 and, when he did it, it was seen as a shrewd, some would say cynical, political move, a manoeuvre intended to neutralize the issue before Canadians got around to casting their ballots. And most polls we have seen over the last while have shown that Canadians are split on the issue of support for our mission, but for a party which had declared that Canada would never, never cut and run, this about face came to many as a surprise. Research showed this week that while Harper's Afghanistan announcement left many Opposition heads spinning, he actually read the mood of Canadians. Across the country, we heard again and again from both supporters and opponents of the mission, that it was time for us to bring our mission to an end. Halifax was the only exception. As you know it is a community that has historically shown strong support for our military, but apart from Halifax it was unanimous. While participants expressed concern about the costs involved, and Quebec participants were more likely to be opposed in general to foreign military missions, our most surprising finding was that even among supporters of the mission there was a widespread sense that the time was coming when we should wrap things up. They felt we had been there long enough, that we had conducted an honourable mission and it was now time to come home. The release of the Afghan mission's cost is giving Canadians an acceptable new reason to support withdrawal. It is simply too expensive. As the economy worsens, the cost will continue to stoke the Opposition and in short Canada has nothing to be ashamed of if we bring that mission to an end.

Mr. Harper is justifiably admired for his strategic judgment and skill. As the economy tumbled, he successfully exploited his advantage as both incumbent Prime Minister and respected economist. The challenge of his first term, juggling an unstable minority with a greenhorned government, was daunting. His challenge, however this time, infinitely harder—a stretched treasury with exploding demands for financial assistance, defending a possible deficit to a base likely to be furious at the prospect, and expectation that he will deliver tough economic measures to help Canada weather this current storm, but do so nicely, the need to relaunch his effort to support bills in Quebec at a time when many Canadians are getting fed up yet again with his perennial courtship, strengthening financial services when Canadians aren't really convinced a case has been made for their support, defending his timing for an Afghan exit, when the revelations of the surprising costs have convinced many Canadians that the mission should be over now, and finally managing a minority with a leaderless Liberal Party, an energized New Democratic Party, and a resurgent Bloc Quebecois.

The expectations of this second Harper government will be immeasurably harder to fulfill than the first. The year ahead will reveal that Mr. Harper is the strong leader in difficult times that Canadians somewhat grudgingly chose. Critics are already betting that he will not be able to navigate the stormy winter ahead, that he has not rebuilt a successful Conservative Party, that he has merely presided over a one-term minority government. Since Pierre Trudeau and Brian Mulroney faced similar cruel tests, we have not had such a captivating nail-biting year ahead in Canadian politics. Prime Minister Harper will need to overcome fate, economic gales, the Opposition, and his own combative approach to leadership to prove those critics wrong.

Thank you very much.

Robin Sears

Thank you very much Jamie. Richard and I are going to do the clean up back here. You may observe that there's a hidden former blue, orange, and red tinge to the speakers up here and that's not accidental. I just want to echo what Jamie said about the effort that went into this project on behalf of our two firms. As you know, Navigator and OEB Enterprise are the partners that form Ensight Canada.

About 20 people in our two offices worked for the last three days.

I want to pick up where Jamie left on the issue of "country first." It's a McCain slogan, yes, but it has seeped into Canadian political consciousness. I think it has at least two implications. The first is that partisan bickering is over. Canadian patience for politicians behaving politically in the worst sense of both those words is over and there will be sharp rebukes and punishment for anybody who doesn't understand that, whether they are the Prime Minister or an Opposition leader. The country has to come before partisan interests. The second, as Jamie pointed out, is that Canadians have a very deep nationalist pride at the same time as they have an abiding and building economic anxiety about the winter ahead. They want to make sure that politicians govern, rather than bicker, and they want to make sure that they govern with Canadian interests in mind in tough times. I think it is fair to say that at least for a while in the campaign Mr. Harper didn't get that message.

Richard Mahoney

Not at first Robin. I just want to say on my own behalf I got the message of "country first" a year and a half ago, when I went into partnership in business with a bunch of Conservatives. So I was a little bit ahead of the game in that regard, but in the election Mr. Harper had a bit of a tin ear. He lacked the empathy gene. His former campaign chair Mr. Flanagan said this week, that once he sets on a course, he has thought it through and he finds it difficult to change. I think it's clear that the empathy question, at least in the election, did cause him some trouble, in part because he thought that if he showed a change in course that would only feed the notion that there was something really wrong. But that failure to get the empathy question probably prevented him from getting a majority, even while international gales and winds were blowing. Jamie mentioned in his presentation how the groups across the country identified the cross pressures bearing on Mr. Harper. So despite the risks, there is also considerable opportunity for Mr. Harper. If Mr. Harper ends up being successful over the next year in bridging the most important of these conflicts, which is on the economic front, it would be seen as a big political win for him. He has a chance really to begin a legacy that will work very well for him.

Robin Sears

I think the Liberal Party right now is in a really challenging dilemma. The circumstances of the unfolding leadership transition make it almost impossible for them to benefit by vis-à-vis Mr. Harper. If Mr. Dion were to announce next week that he was going immediately and the starter gun goes off for a leadership campaign, the inevitable partisan bickering will emerge instantly among all the candidates, directed logically at Mr. Harper. That will not resonate well with Canadian voters. If they name an interim leader and try to impose some sense of order and calm over the course of the winter, that will be an improvement. But Harper being Prime Minister has the opportunity to do a leadership gambit involving a tough economic package that still puts them on their back foot. We anticipate that Mr. Harper may well have built up a big bank of goodwill among Canadians if he successfully navigates the challenges ahead. So it is a very tough strategic challenge that the Liberal Party faces in the next months.

Richard Mahoney

While Mr. Harper may be able to jam the Opposition parties on the economy, one of the stunning things that we learned in the groups was the near unanimity on Afghanistan. Canadians have moved on on this question too, as Jamie pointed out in his presentation. So while the Liberals, and New Democrats in particular, may respond with an attack on Mr. Harper about Afghanistan, he has made clear what his timetable is which is to pull out by 2011. What we heard after the election was that people think we've done our bit now, that we have more than met our obligation. The costing, as Jamie pointed out coming out in the middle of the election, only furthered this line of thinking. So Mr. Harper is sort of jammed by his timetable. He will probably continue to assert that we are leaving by 2011. He is going to be asked about this, about that, about the cost, can't you do better, have you given notice, have you given notice in writing? This will be a true test, I think, of the difference between this Parliament and the other ones.

This Harper administration is more willing to consider applications for support of Canadian business than it was in its first term. You've already seen Mr. Harper and Mr. Flaherty make this turn in the lead up to the election with assistance to the auto sector. That shows pragmatism towards industrial assistance, which in our view is right on the money. However, there is an important coda here and that is this. Anyone who is applying for assistance for a business project should be very certain that government will require them to offer things like contractual guarantees on specific deliverables limited by very strict conditionality, maybe even a piece of the upside on a project and a likely demand for early payback of any financial support. The upside for Mr. Harper on this again though is a Nixon-to-China thing. Mr. Harper may be more protected than the leaders of the other parties will be on this issue because he's not seen as a person overly willing to interfere in the economy. But you can expect some tough regulatory scrutiny in all sectors. The deregulation has taken a hit in the last little while. You might even expect, given what we have seen in the groups, a softening of the rules on foreign ownership in other sectors. Canadians have time for that now in a way they might not have one or two years ago, but they don't have a lot of time for the silliness of politics and the gaffs that we saw during the election.

Robin Sears

Yes, just let me echo the point that Richard has just made. I think that our general impression of the skepticism of Canadians today is that anything new that you planned to do last spring or summer for introduction in the fall, you had better look at again, because there is a much more skeptical and hesitant Canadian electorate about anything new. In the banking sector, for example, a new product or a re-branding could elicit the response, "Are you in trouble? Why are you doing that?" as opposed to an interest in whatever the feature or benefit might be. The wasted election we talked about has a consequence for the upcoming Parliament and that is that Canadians expect there should be action soon. Asked when they thought Parliament should return, the answer was tomorrow. Asked what they wanted to see Parliament devoted to, the answer was, "Addressing the economic problems immediately." The Canadian electorate has now very little patience for any hesitation offered by the government or the Opposition. Let me just quickly say something about the gaff question. There were lots of gaffs in this election. They didn't seem to make much difference to partisanship choice, but we would encourage Opposition politicians and cabinet ministers especially not to conclude from that that there's a gaff freedom now in government. In this new atmosphere of skepticism and high expectation, nobody who makes a mistake can expect to get away with it without a fairly heavy price, minister or Opposition politician.

Richard Mahoney

We think that probably also extends to the style of the next Parliament. Jamie went on at some length about what Canadians expect Mr. Harper to behave like. The day of a confidence motion on every single issue is probably past us. There is an expectation out there that he behaves in government and Parliament much like previous minority governments have done which is to compromise, reach out to the other aisle. We have talked a bit about the banking industry here and one of the things that stunned us in the research was that Canadians don't believe that Canadian banks are in need of government support. So if the occasion arises where that has to happen, there's a big hill to climb. Neither were they persuaded by the wisdom of bank mergers. Ten years ago I remember being tangentially involved in the merger discussions around the then-Chretien government and Canadians had no stomach for allowing bank mergers. Well 10 years haven't changed that. So if the occasion arises where banks do require assistance, seek to merge, seek to change things, they are going to have a tough sell.

Jamie Watt

Twenty hours of research. We could talk to you all afternoon. I'm going to get both Robin and Richard to give us one 30-second wrap up, because I'm going to take a couple of quick questions and get everybody back to work or on their way home.

Robin Sears

Let me close with two verbatims from the discussions we had. A woman here in Toronto in the groups that we did on Wednesday night said that she recently invited a friend who bought a GIC from Canadian Tire. Everybody in the group looked at her and wondered why she would do that. It's not a bank. You buy banking products from banks. There is a new conservatism about who should be doing what with whom in the private sector. And a woman in Vancouver in a group moderated by my colleague Chad Rogers said the only place she felt her money was safe was in the bank, so was not prepared to have the banks do anything except banking. This is a time for a return to stick-to-your-knitting business model.

Jamie Watt

Questions for Richard.

Question

Just give us a fast answer to this. How much of a factor is Mr. Dion's leadership debt in the timing of his departure?

Richard Mahoney

I don't know. Most of the leadership candidates have a debt from last time. The current laws in our country make it very difficult for candidates to raise money after the fact or even during the instance of a leadership race. His campaign does have a debt and that must weigh heavily on him. I haven't spoken to him about that, but it is a problem. The additional problem is in the laws of Canada. If that debt is not erased over time, the act requires that Elections Canada treat it as a donation. Therefore an illegal donation.

Question

Is Jack Layton locked into attack mode making him the wrong leader for the NDP at this time?

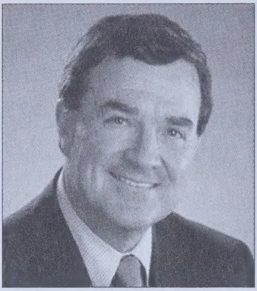
Robin Sears

No.

Jamie Watt

Ladies and gentlemen, thank you for your attendance and your attention today. We appreciated it very much.

The appreciation of the meeting was expressed by Jo-Ann McArthur, Principal, fisheye, and President, the Empire Club of Canada.



October 29, 2008

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. James M. Flaherty

Minister of Finance, Government of Canada

THE CURRENT STATE OF THE ECONOMY AND HOW THE GOVERNMENT IS DEALING WITH THE GLOBAL FINANCIAL CRISIS

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Rev. Canon Philip Hobson, Rector, St. Martin-in-the-Fields Anglican Church; John Capobianco, Senior Vice-President, Edelman, and President-Elect, The Canadian Club of Toronto; Ann Curran, Vice-President, Corporate Relations, AIC Limited; Catherine S. Swift, President and CEO, Canadian Federation of Independent Business, and Immediate Past President, The Empire Club of Canada; Patrick W. Sullivan, President, Workopolis; Diane J. Brisebois, President and CEO, Retail Council of Canada; Lisa Baiton, Vice-President, Government Relations, Environics Communications Inc., and President-Elect, The Empire Club of Canada; Terry Campbell, Vice-President, Policy, Canadian Bankers Association; Dori J. Segal, President and CEO, First Capital Realty Inc.; Tim Hockey, President and CEO, TD Canada Trust; and Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Canadian Trillium Foundation.

Introduction by Jo-Ann McArthur

Mr. Flaherty was first elected to the House of Commons in 2006, bringing a wealth of provincial experience as Ontario's Minister of Enterprise, Opportunity and Innovation, Deputy Premier, Minister of Finance, Attorney General, Minister Responsible for Native Affairs, Minister of Labour and Solicitor General and Minister of Correctional Services at various times. And he still found time to be father to three triplet sons. Quite an accomplishment. And you can be sure that there is an ongoing debate around provincial versus federal responsibilities in the Flaherty-Elliott household as his wife Christine Elliott represents Whitby-Oshawa in the Ontario legislature.

While we may have the soundest banking system in the world, as judged by that august body, the World Economic Forum, we are realizing that in a flat world everything connects. Henry Kissinger was known to say, "There cannot be a crisis today, my schedule is already full." I know that the minister's schedule is indeed very full and we appreciate his speaking with us today. Please join me in welcoming the Honourable James Flaherty.

Jim Flaherty

I'd like to thank you for the opportunity to be here today. It's always a pleasure to address this audience of innovators and entrepreneurs, people who through thick or thin have contributed so much to our country's prosperity and success.

That prosperity and success should never be taken for granted. The Canadian economy is under the same pressures and challenges as the rest of the world. In recent weeks, I have had the opportunity to work with our international partners to find ways to address those challenges collectively.

More of those meetings are approaching very soon—a meeting of APEC finance ministers in Peru, a meeting of G20 finance ministers and central bank governors in Brazil, and a summit of G20 leaders in Washington just a couple of weeks ahead of us.

It's a good thing I don't have a fear of flying.

But before I leave for distant shores, I would like to give you a preview of what I'll be telling the people I'll meet about Canada's prospects, and how well we're overcoming our economic obstacles.

Today I'll discuss where we are as a nation, and how we got to the place we're at today, the steps our government has taken to prepare Canada for rough times, and what that means for Canadians as they work to put food on the table, pay down their mortgage and save for their kids' future.

In times like these, when countries are coming together looking for answers on how to deal with an international crisis—and prevent it from ever happening again—I believe Canada has much to contribute.

We are definitely not alone in facing challenges. In fact, the challenges we face originate overwhelmingly from outside our borders. Still, to address them, we will need prudence, discipline, and a steely-eyed focus on the things that matter to Canadians.

But at the same time, other countries are grappling with even more critical concerns. And given Canada's relative strength, those countries would do well to consider how Canada prepared for an international situation no one had considered possible, and why we will come out of this uncertainty stronger than ever.

How We Got Here—Tax Reductions and Strategic Investments

Long before this global credit crunch and gut-wrenching market volatility ever appeared on the radar screen, our government began preparing for the possibility that the stability of our financial institutions and the will of Canadian consumers and businesses would be severely tested.

In fall 2007, we recognized that times would get tougher. We knew we had to make sure Canadian families and businesses would have an edge in those tougher times. Measures announced in advance of the economic downturn—up to and including our 2007 Economic Statement—are providing $21 billion in incremental tax relief this year. That is equivalent to 1.4 per cent of our GDP, and representing a substantial stimulus to help us deal with what was to come.

Unlike the temporary measures the U.S. took earlier this year, and which some are now calling to be introduced again, our tax relief was permanent: tax reductions Canadian families and businesses can count on, year in, year out.

While we were reducing the tax burden on each and every Canadian, we were also relentlessly paying down the debt and passing on the interest savings to Canadians.

And we invested strategically in areas critical to this country's future success: in job training, in science and technology, in infrastructure and, as part of record transfers to the provinces, in post-secondary education. Investments, in other words, that would be essential in dealing with and overcoming harder times ahead.

By acting when fiscal prospects were brighter, we avoided a situation where we would have been compelled to take panicked and undisciplined measures when times were tougher—measures which, by themselves, would have resulted in a deficit.

Instead, because of the choices this government made, we have the best fiscal record in the G7. By any objective measure, in the eyes of the international community, and in the eyes of scores of economic experts, we have put Canadian families and businesses in the best possible position to deal with today's global uncertainty.

How We Got Here—Financial Stability

Instead of the rear-view mirror approach now on display in other parts of the world, this government has been focused on the horizon. This extends to how we acted in advance of international financial turmoil.

As just one example, our last budget provided additional powers to the Bank of Canada to provide liquidity to the market when required. In the past few months the bank has been using those powers—powers that have allowed it to respond quickly and decisively to a global credit market at risk of grinding to a halt.

Canadians may not wish to immerse themselves in subjects like statutory authorities and acceptable collateral—and I don't blame them. But they can take comfort in the fact that their government acted in these areas. And we did it so that Canadian borrowers and lenders would continue to have access to credit markets—for home and business mortgages, for car loans, and for other forms of credit that are essential to keeping our economy moving. As most here know, in many other countries that hasn't been the case.

Our forward-looking approach included efforts to prevent mortgage bubbles like the one in the U.S. from happening here. In the U.S., families have lost value in their homes, or are tragically losing their homes completely as the system collapses. Changes we announced this summer to the rules for government-guaranteed mortgages are helping to prevent that kind of damage from happening here.

These improvements, most notably a maximum amortization period for new government-backed mortgages to 35 years and a minimum down payment of 5 per cent, are in effect right now. These measures took a Canadian financial system and housing market that was already strong, and made them stronger.

Over the past month, however, we have seen a dramatic and sudden collapse of financial institutions in the United States, deepening the global credit crisis and raising the risk that Canada's system could be sideswiped. So we acted again.

We announced an innovative way to encourage more longer-term credit in Canada—with no additional risk to taxpayers—with a plan to purchase $25 billion in insured mortgage pools by the Canada Mortgage and Housing Corporation. This made-in-Canada approach involves purchasing high-quality assets, already guaranteed by the Government of Canada, so as to make loans and mortgages more available and more affordable to Canadians—all at no fiscal cost to Canadian taxpayers.

This initiative, which is in addition to the regular Canada Mortgage Bond program, is an efficient, cost-effective and safe way to provide support for lending in Canada at this time of unprecedented global financial turmoil.

Less than a week ago we created the Canadian Lenders Assurance Facility, a temporary program that will offer insurance on the wholesale term borrowing of federally regulated deposit-taking institutions.

In plain English, that's a backstop to ensure the Canadian banks, which have weathered the global credit crunch better than their competitors, are not put at a competitive disadvantage because other countries have provided borrowing guarantees to restore or protect the stability of their own financial systems. And also at no expected fiscal cost for taxpayers.

These changes are keeping our banks competitive and strong, and they're keeping credit flowing—things that Canadian families and businesses rely on.

Where We Are Today

Since we took office two and a half years ago, that is what our government has done to ensure long-term growth and reduce economic risk. Our government's economic plan has helped sustain that economy.

Today it means Canada is in a much better position than virtually any other major country to withstand the economic and fiscal storms working their way around the globe.

It has led to the IMF predicting Canada will have the best economic growth in the G7 next year. That forecast, along with the others we are seeing recently, is modest, especially compared to recent Canadian growth. But I can tell you that, under current conditions, if you asked other countries whether they would like to trade places with us, the line-up of volunteers would be long.

As for Canada's financial system, the World Economic Forum recently concluded it is the soundest in the world, with financial market sophistication and investor protection among the world's best. The IMF has also judged our system to be mature, sophisticated and well managed, and able to withstand sizeable shocks.

This praise reflects a stable Canadian system that is now being rewarded for its prudence and its high standards. Canadian capital requirements for financial institutions are well above minimum international standards, and higher than in other jurisdictions.

Even with all of the challenges we are facing, Canada remains on track to balance its budget this year. Last week's Fiscal Monitor indicated a surplus of $1.2 billion over the first five months of the current fiscal year. Once again, it's a Canadian track record far beyond the fiscal prospects of major industrialized nations.

What Has Changed

All of these efforts put Canada in an advantageous position today. And that's a good thing, since what is going on around the world today is far beyond what anyone could have predicted even two months ago.

In a remarkably short period of time, the collapse of financial institutions in the U.S. and the seizing of international credit markets have taken financial markets down sharply and have resulted in a worldwide economic slowdown.

In the U.S. alone, the list of financial institutions damaged by the meltdown is a long one: Fannie Mae, Freddie Mac, Bear Stearns, Lehman Brothers, Washington Mutual, AIG and Wachovia. All of these institutions have collapsed or required a bailout or takeover within a matter of weeks. Our American neighbour has been joined in its banking rescue efforts by countries throughout Europe.

Without question, these are uncertain economic times, and after the extraordinary developments that have taken place in a matter of weeks, no one can reliably predict what will happen next.

This is the new reality Canada faces today—wild swings in financial markets, increasing attempts to keep credit flowing, and economic forecasts that have grown more pessimistic by the day.

We are entering an extremely difficult period for Canadian families, who are counting on their governments to get down to work and follow a sensible, realistic plan to protect their earnings, their savings and their jobs.

In this new reality, that is exactly what this government will do.

Strong Finances in an Uncertain Future

While Canada may be doing better than most, we must still prepare ourselves for the challenging times we face now and in the period ahead.

That means using our strong starting position to our advantage. Our balanced budgets have already allowed us to do the things needed to keep our economy strong:

- Healthy funding for health care, post-secondary education and infrastructure;
- Investments in science and technology, as well as training people for a brighter future;
- Tax reductions for all Canadians; and
- Efforts to create the investment climate that will lead to more jobs and greater prosperity.

We've focused on all of these early on because we realize that, while surpluses themselves are important, what's more important is what those surpluses make possible: better lives for Canadians.

Ongoing, unsustainable budget deficits are quite rightly unacceptable for Canadians. These structural deficits must never return.

Yet also unacceptable is a devotion to surpluses simply for the sake of saying you've achieved them. That view refuses to take into account the long-term damage that can result from misguided attempts to balance the books during an historic global downturn.

No one should ever expect us to be complacent about the risk of a deficit. We will do what we can—despite challenging economic circumstances—to keep the budget balanced.

However, as Canada, like all countries, enters a new and unknown economic cycle, we recognize that we work for Canadians, not fiscal forecasters.

What we will never do is engineer a surplus at any price, because that price would ultimately be paid by Canadian families.

What We Will Do

What we will do in this fiscal year and the years that follow is continue to manage spending responsibly. We will not spend now to tax our children and grandchildren later.

For nearly three years, we have focused on this responsible approach.

Our focus is to keep spending in check—to practise restraint, and look at every dollar we spend with a critical eye.

This approach includes a renewed Expenditure Management System, a review of every cent of spending by government departments over a four-year cycle. In the first year of this system, we examined department spending of $13.6 billion, which is worth 15 per cent of total direct program spending.

That restraint exercise will continue and we will redouble our efforts for the year ahead, to ensure the spending of taxpayer dollars is as efficient and effective as possible.

Grants, contributions, capital, wages, other operating expenses will all be placed under the microscope of responsible spending. Departments will have what they need to fund essential programs and services—and no more.

While being more rigorous in spending by departments, we will extend that review to Crown corporations and other key corporate assets. By doing so, we will ensure that the original purpose for setting up each corporate entity is still relevant in today's world, and that dollars are being spent wisely.

This commitment to responsible fiscal management will also extend to public-sector compensation.

We all recognize that public-sector employees work hard for Canadians, and that they must be adequately compensated. It is in the public interest that public-sector compensation be determined responsibly in a manner that does not add pressure on businesses that are already feeling the pinch of an economic slowdown.

We are confident that every stakeholder involved in the process of setting public-sector compensation will show commitment and accountability to act in the public interest and strike the proper balance. We will be guided by these considerations as we prepare the fall Economic and Fiscal Update.

In overseeing federal spending, we will also be mindful of the steps this government has taken to restore fiscal balance through long-term, fair and predictable transfers to provinces and territories.

Under our government, transfers for health and social programs have grown, and they'll continue to grow. Federal support for provinces and territories has reached unprecedented levels, almost $54 billion in federal support this fiscal year alone. That funding helps ensure that provincial governments can provide health care, education and other essential social services—critical government services that your families count on.

We will be diligent in protecting this transfer growth. We will not abandon the commitment we have made to provinces and territories—and by extension to Canadian families.

As part of our fiscal balance commitment we renewed and strengthened Equalization, with a principles-based approach and long-term, equitable and growing funding. We will continue to ensure growing support for those provinces that need it.

The Equalization program has to adapt to developments that nobody could have foreseen. In particular, the enormous volatility of resource prices—with recent high energy prices—are putting pressure on Equalization.

Equalization remains an essential component of the Canadian federation, but it has to be affordable and fair. Equalization has grown by 56 per cent since 2003–04. Clearly, in this time of fiscal uncertainty, we cannot sustain that rate of growth.

As part of our commitment to responsible fiscal management, and in the spirit of fiscal balance, we will ensure the program continues to grow, but growth must be closer to the growth of the economy to be sustainable.

Without change, Equalization is not sustainable, and threatens the integrity of the program.

In these challenging times, it is more imperative than ever that governments work together to further strengthen the Canadian economy.

The time is right to put an end to interprovincial trade barriers that unnecessarily restrain our economy right here at home. And given the unprecedented turmoil in international financial markets, it is also a good time to move toward a single securities regulator that reflects regional interests, yet can quickly respond with a single voice to market developments.

As part of our efforts to ensure all governments work together in the interests of all Canadians, this government is organizing meetings of the federal-provincial-territorial finance ministers and first ministers in advance of the G20 events. These meetings will lay the groundwork for what we hope to achieve in the international summits, as well as build on the spirit of co-operation that will be crucial to responding to the economic challenges every government in Canada is facing.

As Canadians have managed to do throughout our country's history, we will get through this global turmoil together. And we will come out of it in a very competitive position.

How We Will Move Forward

We certainly have our work cut out for us. We've prepared well for this approaching storm, but endure it we must.

And endure it we will.

Within the next month, after consulting my federal and provincial counterparts and my international colleagues, I will set out the economic and fiscal projections we will rely on as we prepare the next budget.

Given the sudden onset and imposing depth of this crisis, forecasting its effects on the Canadian economy will be daunting. Managing its effects will be even harder.

But what I can assure you is that our responsible, disciplined and forward-looking strategy will not waver.

We will continue to work alongside the provinces, sharing our assessment of international and domestic conditions, explaining what we intend to do and asking for their co-operation to ensure future economic growth.

We will keep taxes low, to benefit Canadians.

We will keep investing in Canadian priorities.

We will do whatever is necessary to prevent the soundest financial system in the world from being put at risk by global events.

And we will budget prudently and with restraint, consulting with Canadians every step of the way.

What Matters Most

None of this will be easy, and our approach will include some tough measures. Good times or bad, hard choices are just part of the job description.

So, too, is understanding what matters most as we steer our nation's finances through the turbulent waters ahead. It's not lines on a spreadsheet, or calculations on a fiscal projection.

Surpluses, as integral a part of the planning process as they might be, are not an end in themselves, and they never will be.

What matters most is people. Our ultimate goal is to ensure we spend wisely on the things that will bring a direct and lasting benefit to Canadians.

If we keep our sights set on protecting jobs, enabling Canadians to save and businesses to grow and thrive, and creating a better future for our children, we will take our healthy head start and emerge from this difficult economic cycle stronger than ever—and better off than the countries that compete with us every day.

I can tell you now that, in the global discussions I will soon attend in between airport lounges, my colleagues will do what they always have: marvel at what Canada has accomplished, and predict that there will be more success to come.

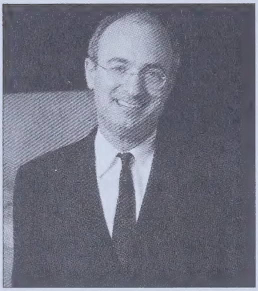
A stronger Canadian economy is our goal.

The well-being of Canadian families, throughout 2009 and the years that follow, is how we know we'll have reached it.

Thank you.

The appreciation of the meeting was expressed by Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Canadian Trillium Foundation.

Lisa Baiton, Vice-President, Government Relations, Environics Communications Inc., and President-Elect, The Empire Club of Canada, The Hon. James M. Flaherty, Minister of Finance, Government of Canada. PC, MP, and Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Canadian Trillium Foundation.



October 30, 2008

Matthew Teitelbaum

Michael and Sonja Koerner Director and CEO, Art Gallery of Ontario

THE NEW AGO

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Alison Dalglish-Pottow, National Director of Development, CANFAR, and Director, The Canadian Club of Toronto; Sara Abuzinadah, Student, North Toronto Collegiate Institute; Reverend Vic Reigel, Honorary Chaplain, Christ Church, Brampton; Dr. James Fleck, President, AGO Foundation; Charles Baillie, President, AGO Board of Trustees; Tony Gagliano, Executive Chairman and CEO, St. Joseph Communications; Michael Koerner, President, Canada Overseas Investments Ltd.; Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada; Avie Bennett, Chairman, AGO Board of Trustees; Rupert Duchesne, President and CEO, Groupe Aeroplan Inc.; and Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Canadian Trillium Foundation.

Introduction by Jo-Ann McArthur

The AGO was founded in 1900 by a group of private citizens, as the Art Museum of Toronto. It was renamed the Art Gallery of Ontario in 1966. The current location of the AGO dates from 1910, when the gallery was willed the land known as "The Grange" upon the death of Goldwin Smith.

In 1999 Matthew spoke at the Empire Club on "What We Learn From The Past"—where he talked about the changing nature of museums by thinking about the past and wondering what doors it might open at the close of the 20th century. Well in November 2008 Matthew Teitelbaum is opening one very big door!

He has been named one of the key people behind the current cultural revival in Toronto and is a leading ambassador for the importance of Canadian art, in Canada and abroad.

He is also a big believer in the role of art to open up boundaries, so I know he will appreciate this quote from Twyla Tharp: "Art is the only way to run away without leaving home."

Please join me in welcoming Matthew Teitelbaum and prepare to embark upon a transformative journey.

Matthew Teitelbaum

Several slides were shown during this speech.

I want to begin by thanking everybody because this moment, which is a great moment for Toronto and the Art Gallery of Ontario, couldn't have happened without so many of you in this room—donors, heads of corporations, the wonderful Bank of Montreal, who is our lead inaugural sponsor and our membership. There are moments like this where I stand and represent an institution with a great history. I know deeply and with great humility that I stand here on behalf of many, many people and many of you are in this room.

It seems as though these are difficult times in which to lead a cultural institution and they are. The economy is on a roller coaster, confidence and optimism have decreased, gas prices are going all over the place, tourism seems as challenged as disposable income, and I would just say as a director of your Art Gallery of Ontario I'm either the luckiest guy in the world with a great job or just about to go into a chapter in my institution's history that none of you can imagine.

I want to tell you why I do feel lucky. I want to tell you why when I look at the future of the Art Gallery of Ontario, notwithstanding the context in which we exist, I feel nothing but optimism.

I think that we live in a time in which we are looking for ways to speak to one another. We are looking for that across national borders, and we are looking for that within our own communities. Forty per cent of new immigrants to Canada live in Toronto. There are 175 nationalities represented in our schools. Seventy-five different languages are spoken. People come to Toronto because they want to meet. So I say to you at this time of great challenge in our economic and cultural life, there's nothing but great opportunity for museums to be a meeting place of values and of populations.

I feel very lucky to say that the great architect of our time, Frank Gehry, spent a lot of time with us thinking about how we imagined our Art Gallery of Ontario could be and what you see on the screen is the model of the front of the Art Gallery of Ontario as we unveiled it over five years ago. And what you see here is a photograph of the front of the building taken just two weeks ago.

I said to Frank that the challenge was to create a public institution that declared boldly to the world what it stood for. His response was to create this 600-foot-long glass promenade across the front of the building so that when you walk in front of the Art Gallery of Ontario you see people looking at art. And that in fact of course is what the mission of the Art Gallery of Ontario is—to bring art and people together and to boldly say that art can actually change the way in which you think about the world. It can give you a new language to think about the way in which you might approach different issues in today's society. You can walk in front of the Art Gallery of Ontario now and see people engaging with art—a truly magical moment.

Frank Gehry was born in Toronto and he had his artistic epiphany in the Walker Court, which is the 1926 Bozar Square of the Art Gallery of Ontario, and there's an image up on the wall of the model of that space. This is what it looked like two days ago with the magical staircase that goes the equivalent of 12 residential stories high shooting up through the middle of the Walker Court. He wanted to make the Walker Court into a temple because he believed that his experience and his associations with a changing life moment in front of a work of art should somehow be communicated to others.

Ken Thomson and Frank Gehry were two leaders who grew up with the Art Gallery of Ontario as the museum of their childhood. Working with that notion of childhood and what constitutes that magical moment when you really believe something is possible which happens in moments of childhood and wonder, to work with someone like Frank Gehry who thinks in that way about our space and thinks in that way about the Walker Court meant that he would do something special; that somehow he would take that memory from his past and bring it into the experience of the space for the future.

The great challenge we have in building a great institution, a big institution and all those things that institution means—concrete, size, money, support—is somehow to balance that notion of the institution which is power and momentum with the notion of home. How do you create the institution with all of those positive attributes and at the same time create a sense of home which is this notion of welcome, belonging, we want you here?

This is the model of the new entrance to the Art Gallery of Ontario that is made out of limestone and wood. When you walk in we hope what you feel is we want you here, we want you to come forward, and we want you in this space. I think the language of the new building is wood and light—two optimistic materials; two materials that surround you wherever you are. The image shows an information desk at the front so the first encounter you have is with people engaging you in the experience of the Art Gallery of Ontario.

The notion of how you reach out to populations and say you belong here is a function not only of the space but also the notion of visitor welcome. We recognize that we have populations that are very diverse and we need to find ways to talk to their experience. We also need to make an accessible institution. So when we reopen in just a few days we will have an institution that is open to high school students for free every day high school is in session. We are maintaining our Wednesday night openings as part of the Institute of Canadian Citizenship, which is a program we began two years ago to give out free memberships to new Canadians. If new Canadians have chosen Canada as their home, then so too do we want them to think of the Art Gallery of Ontario as their home. We are part of a library-pass program, in fact the leader in this program, where we actually give out passes to the Art Gallery of Ontario as if you are checking a book out of a library.

If you want your institution to really reach out to be a place where people feel they belong, you want to create points of access. And once you've created an institution that truly is about accessibility then you've created an institution where people feel at home. Accessibility, visitor welcome, and the comforts of an institution are expressed in many levels. The point size of the label, the amount of seating in different galleries, the price point in the restaurant to make sure it's affordable are all aspects of reaching out and saying that we want you here, we want you to come back. These are aspects of the new Art Gallery of Ontario that we have thought about very carefully.

This is a very special and magical space in the Art Gallery of Ontario. You are seeing here a model of the sculpture promenade designed by Frank Gehry to create a connection to the city, because one of the goals we gave to Frank was to create a building that celebrates its position in downtown Toronto, that celebrates its relationship to the city in which we live and he created this great sculptural promenade. And then Tony Gagliano, one of our great leaders on the AGO Volunteer Board, came up with the idea that maybe he could call on some leaders in the Italian community and engage them in a connection to the Art Gallery of Ontario that didn't exist before and we can call it the Galleria Italia, which we did. Tony showed great leadership in approaching many leaders in the Italian community and it is now with pleasure called Galleria Italia and it is 465 feet long and 50 feet high. It is truly an extraordinary space for the viewing of art.

The AGO is the largest public project in North America to use wood and there's nowhere more evidence of this expression than in Galleria Italia where you see wood on the floor, wood on the wall and in fact the beams are Douglas fir timbers that are used for structural purposes. There was a point in the project when we were trying to make the budget work and we did. But there was a moment when I was talking with Frank and I said to him, "How about taking the wood off the wall and we will put drywall up and we will paint it brown?" There was purpose in that question because I actually knew if he said yes there would be a reason for it and if he said no there would be a reason for it and if I could understand his response it would allow me to understand the building better. And he said, "We can't do that." And I said, "Why not?" And he said, "Because the power of this building is going to be the institutional scale and the domestic feel and the tension that's going to throughout the building. You will experience the core of the experience of the building in that space. So if you insist that I take the wood off the wall you'll take away that sense of enclosure, of domestic feel." So I didn't. We found the $400,000 somewhere else because did I tell you that we are on budget? We have created a truly, truly magical space.

From our own point of view, we thought what an extraordinary gift back to the Italian community would be to ask an Italian artist to do a work in that space. So I went to Tony and asked if he thought that would be a good conversation. He thought there was promise in that idea and we approached Giuseppi Penone who is a great artist from Torino in Italy. You could see him working in the gallery last week on one of 28 elements that are going to go into that space. He has actually carved trees out of white pine. Somebody explained to me the other day that white pine was the engine of the Ontario economy at the turn of the 20th century in the same way that Douglas fir is important to the British Columbia economy. So white pine in Ontario and Douglas fir in British Columbia and there's this conversation going on which is really very powerful. This is going to be up for the opening and it will be up for about 18 months.

Just before we announced our project to the public, Ken Thomson bought this painting, "The Massacre of the Innocents," by Peter Paul Rubens, a truly great world masterpiece. In fact whenever I see Phillipe de Montebello at the Metropolitan Museum, he asks how his painting is because he was the underbidder. I tell him he can come and visit anytime but if he's not a member he'll have to pay. What was great about this moment, and I remember so vividly that Ken phoned me up 10 minutes after he bought it to say that he had done this incredibly foolish thing with a sort of lightness in his voice, was that it expressed for him and for the institution at one and the same time the ambition that he had for the institution. He wanted to declare boldly that for him as a collector this was a summing up of his interest in anatomy. But it was also both for him and for us a clear expression of the ambition of the institution that we might actually in some way or other take on the world. So I'm pleased to tell you that the painting will be gloriously on view when we open.

This is one of the small galleries around the Rubens that shows Ken's collection of portrait busts of famous folks. This is a whole group of works by Cheverton who was an important British miniaturist. The curator of Mediaeval art at the Met called Ken Thomson's collection of European small-scale sculpture the finest collection put together in the world in the last 30 years and I'm pleased to say that it is one of three parts of the Thomson collection that becomes the catalyst for our expansion.

The other two of course are his Canadian collection of more than 800 Canadian paintings from the nineteenth and twentieth centuries and an extraordinary collection of ship models. I am a member of an international group of museum directors who have very serious meetings once a year. Every time I'm with Phillipe or Neil MacGregor from the British Museum or Mark Jones from the Victoria and Albert Museum I always want to talk about what one might do with a collection of ship models and how to actually bring a collection of ship models into an art gallery. Some museum directors think we should do it on the basis of miniaturization. Some think we should do it on the issue of craft and that we should show all of the drawings that ship builders used to create these models but we've chosen a different route. We've created what I think you'll find to be a truly magical room designed by Frank Gehry. It's all about the notion of the journey and exploration; not exploration in the sense of maps, but imaginative exploration. We think that if we can use these ship models as metaphors for anything they are metaphors for the experience we have with art. Maybe by engaging with these images as symbols of our aesthetic journey, we can actually replicate the notion of that's what art does for us. It takes us on a journey and perhaps even takes us somewhere completely new.

This is a Lawren Harris painting, one of 80 Lawren Harris paintings given by the Thomson family.

And this is one of the most wonderful ships. It actually comes apart and you can see the insides of it.

If we want to be an institution that reaches out and says to people you belong here, we have to find a way to look at art from different points of view. We cannot be Eurocentric, we cannot be art historical in the sense that our installations or our presentations of works of art are presented only in terms of art movement. We have to find a way to present art in a way that reaches out to personal experience. Robert Rauschenberg, the great American artist, said that he wanted to exist in the gap between art and life and the way we translate that is we don't necessarily want to operate in that gap but we want to find a way as a public institution to bridge the way we think about art and the way we lead our lives. What might we do to bring contemporary thinking, cultural experience, our own notions of home into the public institution?

This is just a snapshot of one small corner of one small room, where we have these two important nineteenth-century Canadian paintings done by English artists who had immigrated to Canada. In front of them we have placed these really lovely small Inuit boats, so you have the image of the marine paintings in the back and the Inuit point of view in the front. Perhaps if the Inuit work doesn't speak to your personal experience at least it raises the point of view that in this imagery there might be more than one way to think about the representation of the journey or the voyage. These aren't actually in Ken Thomson's ship model galleries. We are doing that in another part of the gallery.

The way in which people create meaning in public institutions is also changing. The notion of the passive visitor is I think less relevant and powerful than it has been. I know this from my 17-year-old son, who spends a lot of time on the Internet, no surprise. What he does on the Internet is create meaning by creating content. He's not a passive receiver. He is doing what Don Tapscott, the great thinker about new technology, calls the pro-sumer, the producer and consumer. Rather than just passively receiving things, he is actually creating meaning by giving them back. I think that notion of the pro-sumer, somebody who is actually creating meaning and finding ways to share it in a space, is very important. And so we are going to have drawing stations at the Art Gallery of Ontario. We are going to have places where you can leave your comments. We are going to have places on our Web site where you can engage with others about the experiences you had because if a work of art is truly going to come alive today, and I say this knowing full well how hard it is to get my 17-year-old son off the Internet, we have to do it in ways that truly engage the way people are learning.

Just before we closed we did a project called "In your Face" and we asked our membership to send to us their self-portraits. We thought we'd get a couple of thousand. We'd put them up because our commitment was that whatever we got we would put up. We got 22,000 and we put them all up. We just kept expanding the space. The project then became the founding exhibition for the new national portrait gallery in its now nomadic existence. It actually went up to Ottawa. It was I think a very powerful message to us and we learned from it. We learned that people actually want to be in a museum space and find a way for their own expression and their own articulation of meaning to be expressed. And so with the new AGO we are doing another project called "In Your Home," where we are picking up on this notion that people come to Canada, come to Toronto, come out into public space with an idea of what their home might be, and we are going to find ways to actually create this project, ask people to share their images of home, and bring them into the museum space.

One of the great pleasures I've had in being part of this project from the art story point of view is that we have created a context in which curators and educators are working together from the very beginning. We are installing 110 galleries with 4,000 works of art of which 40 per cent on view are new. They did not exist at the Art Gallery of Ontario before. When we stand in one of those 110 galleries, we should have different ways of understanding them. One of them should be without reading anything or hearing anything. A visitor should be able to put together some meaning. And then there should be two or three other ways in which you get to different levels of understanding.

This is the Salon in our nineteenth-century Canadian galleries. It looks a bit like the Salon that we had before but it isn't. The colour is different which is symbolic and there's some writing about why it means something different. On the left-hand side it starts with how Salons were organized in the 1860s. As you go around the room it slowly starts to change. The right-hand side of the wall is how salons were hung in 1918. What we articulate here is that the Salon was the main vehicle of power in the art world. Now it is Damien Hirst at Sotheby's, but at that time it was the Salon and by the time you come around the wall to the 1918 side, 50 per cent of the art on that wall is by women although this isn't factually true.

The back of the building is a blue cube covered in titanium. The blue is titanium. Frank's poetic idea is that the blue will combine with the sky at certain times of the day and that this great volume will disappear. Early on in the design process a couple of board members, none of the ones in this room or on the stage might I say, said to me that the problem with our building is it is not quite Frank Gehry enough. They wanted something a little more Frank Gehry-like. I told Frank and he actually designed a different back. He put them both in front of me and said you can do either one for the same price but the blue box is better. I asked why. He said because it related to the Ontario College of Art and Design, the great building by Will Alsorp, right next door to us and it created an urban moment.

I was walking through the gallery the other day looking at some of the paintings that we put on the walls and realized how Frank has truly created a great gallery for art, for the viewing of art.

This is a small room in the contemporary tower, which is inside that blue box. There's a room for at least the next year for the work of Betty Goodwin, the important Montreal artist. You can see a skylight, just the edge of it, bringing the most beautiful light into the space. I can only tell you from having experienced it now for the last number of months there's nothing better than seeing works of art in natural light. This really is a great compliment to an important artist.

Earlier this week Frank Stella came into town. He is a New York artist who's had some connection to Toronto through David Mirvish and the Princess of Wales Theatre. We had come up with the idea of approaching Frank to do something for us and decided that the light well in the restaurant was the place to do it. This is just an image of the work just about to go up.

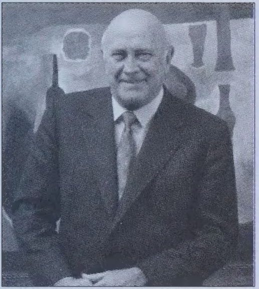
This is the back of the building, the blue building, as you can see it from the roof of the Ontario College of Art and Design.

I think about Toronto as a very different place than I did five years ago and I think about what has happened at the Opera and what has happened at the Gardiner Museum, what's happened at the Conservatory, and what's happened at Roy Thomson Hall. I think about the programming at the Textile Museum. I just think about Toronto so differently than I thought about it five or seven years ago. I think that we've been fortunate at the Art Gallery of Ontario to have an incredible project that people have believed in.

What we wanted to think about, and I think my colleagues in the cultural world in Toronto have thought about this with power and conviction as well, is the notion of change, because when you take a building away as we did for a year and half, when you ask people for support, when you ask politicians to give public money, you are asking them to invest in a dream. You can't actually prove it is going to happen. You articulate all these different ways in which change will take place and then you keep your fingers crossed. You work hard. You have the benefit of an extraordinary board. You hire well. You focus people on the end result. And then you really truly keep your fingers crossed. I just want to say that I think the great change to the Art Gallery of Ontario is the best opportunity it has ever had to truly declare that art matters, that art can actually change the way in which we think about the world, where you think about our own creativity, as the way in which we can think about possibilities for the future. I say it again not only in the notion of community coming together and cultures speaking to one another, but I say it also in the notion of what constitutes possibility as we look forward. I think the Art Gallery of Ontario can be one of the great civic institutions in this country to give us all confidence about thinking in new ways about the future that is so challenging for us.

I want to end again by saying thank you for believing in us. Thank you all for being card-carrying members of the Art Gallery of Ontario and we are opening up in about 10 days. I realize I'm at that point in the project that if I say it enough it will have to be true. I am looking forward to welcoming all of you. I would like to take questions but I just wanted to end again by thanking you very much for believing in what we do.

The appreciation of the meeting was expressed by Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Canadian Trillium Foundation.



November 3, 2008

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

F.W. de Klerk

Chairman of the Global Leadership Foundation and Former President of South Africa

THE THIRD WORLD—IS IT SINKING OR SHRINKING?

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Rev. Dr. John S. Niles, Senior Minister, St. Andrew's United Church, Markham; Daniel Jacobs, Grade 12 Student, North Toronto Collegiate Institute; Helen Burstyn, Chair, Ontario Trillium Foundation; Effie Triantafilopoulos, Lawyer; Alison Loat, Executive Director, Samara Project; Randy Gossen, Vice-President, Global Business Relations, Nexen Inc.; Sir Robin Christopher, Secretary General, Global Leadership Foundation; The Right Hon. Joe Clark, GLF Member, Former Prime Minister of Canada and Former Foreign Affairs Minister; Dr Isa Odidi, Chairman and CEO, IntelliPharmaCeutics Corp.; Dr. Amina Odidi, President/COO/Chief Scientist, Intellipharmaceutics Corp.; Maureen McTeer, Author, Lawyer, Adjunct Professor, University of Ottawa School of Law; and Mrs. Elita de Klerk, Wife of F.W. de Klerk.

Introduction by Jo-Ann McArthur

Our honourable head table guest Joe Clark addressed the Empire Club back in 1986 as Secretary of State for External Affairs. He spoke of the need to develop common policies to seek peaceful change in South Africa. A lot has happened in South Africa since then and today he is a member of the Global Leadership Foundation (GLF), an NGO founded in 2004 by the former State President of South Africa and Nobel Prize laureate F.W. de Klerk.

Mr. De Klerk's Global Leadership Foundation is composed of a number of former statesmen, ex-presidents and prime ministers from around the world. It exists to share the experience of its members so that mistakes of the past are not repeated and offers leaders of emerging democracies impartial advice, working across political and ideological lines. They do this confidentially and with no publicity, ensuring that the leader who is helped can take all the credit for a successful initiative, strengthening and reinforcing his credibility.

Mr. De Klerk shared the Nobel Peace Prize in 1993 with Nelson Mandela "for their work for the peaceful termination of the apartheid regime, and for laying the foundations for a new democratic South Africa."

Mr. De Klerk continues to lay the foundation for a better world. It is a great honour to welcome him to our podium today.

F.W. de Klerk

There is a tendency to be pessimistic about the future of mankind, now that we are in the grip of the worst financial downturn since the Great Depression. Some people even question the wisdom of continuing to follow free-market principles in the manner in which we allocate resources and manage our economies.

One of the greatest challenges presented by globalization will be its ability to bring benefits to all mankind, including the so-called Third World. Future planetary stability will be affected by the degree to which the world succeeds in closing the gap between the poor and rich nations and in generating sustainable growth that works for all.

I believe that we are making substantial progress in this direction. The reality is that the past 50 years have witnessed the greatest progress made by human beings in the vast sweep of our history. During this period, more people, particularly in the Third World, have escaped the stranglehold of poverty than ever before. Literally billions of people have achieved decent standards of living, education and well-being.

In my view the Third World is clearly not sinking. Despite the continuing failure of some parts of the underdeveloped world to join in the general march to prosperity, there can be no doubt that the Third World is, in fact, shrinking.

The United Nations Human Development Index is perhaps the best way to measure the progress that countries are making on the road to development. It is a composite of three main elements:

- per-capita income;
- life expectation at birth; and
- education.

These three factors pretty well describe the core condition of mankind:

- how prosperous they are;
- how healthy they are; and
- how well educated they are.

During the 30 years between 1975 and 2005 China's Human Development Index improved from .53 to .77, and India's from .42 to .62—on a scale where 1 represents the highest development. What this means in layman's terms is that life in both these countries is more than 45 per cent better now than it was 33 years ago. The same is true of a great swathe of humanity from Egypt to the Philippines. Life has been getting better all the time.

There can also be no doubt that globalization has provided much of the motive power for this improvement in the human condition. Global trade—driven by new technologies and lower tariffs—increased from $1.6 trillion in 1970 to more than $10 trillion in 2005. All this has been translated into more jobs and higher wages for workers all over the former Third World.

Life has also been immeasurably improved by new technologies, better medicines and health care and better food. Two billion people now have cell phones and hundreds of millions in the developing countries have access to the Internet.

Asia is rapidly beginning to move back toward the dominant position that it held in the global economy before the 19th century. In 1820 it produced 58 per cent of the planetary product. By 1950, when most of Asia was characterized as being part of the Third World, its share had declined to only 18 per cent. It is now 38 per cent and is expected to increase to 52 per cent by 2030. What this means is simply that within a couple of decades a great and growing majority of the world's population will have joined the first world.

Unfortunately, this is not true of all parts of the Third World.

Improvement in the Human Development Index has been much slower in Africa than in Asia and Latin America. In some populous countries like the Democratic Republic of the Congo, it has actually declined over the last 33 years. The reality is that, without exception, the bottom 20 countries on the Human Development Index are all in Africa, and African countries comprise 38 of the bottom 50.

Between 1960 and 2000 the Human Development Index in the developing world as a whole increased from 0.260 to 0.655. However, in Sub-Saharan Africa it increased only from 0.2 to 0.486. These are dry statistics, but they represent very real human deprivation in the form of grinding poverty, disease and ignorance.

This is where the Third World continues to exist and it is here where the world's attention and assistance will increasingly have to be focused.

However, if we look at Africa with greater discernment we shall also see positive signs of hope and development.

There are, indeed, too many countries that continue to conform to the African stereotype of poverty, conflict and tyranny. However, such states conform to the stereotype not because they are African, but because poverty, tyranny and conflict go hand in hand throughout the world and throughout history and not just in Africa. The nine countries in Africa that have experienced the bitterest conflict during the past decade have one thing in common: they are all extremely poor. The average per-capita GNP incomes of these countries are less than US$200.00.

Poverty and the state of political development also go hand in hand: the average per-capita GNP income of the sub-Sahara African countries that are classified as "not free" is US$352; that of the countries that are regarded as being "partly free" is US$552; and that of the free countries is US$2,115.

The problem, accordingly, is poverty—and not Africa.

The challenge for the world—and most notably for Africa itself—is to address the root causes of the vicious cycle of poverty, conflict and tyranny on its continent.

It is a challenge that Africa has accepted.

In July 2001, African leaders assembled at the 37th Summit of the Organization of African Unity (OAU), adopted the basic framework document for the New Partnership for Africa's Development (NEPAD). According to them, NEPAD's objective was "to consolidate democracy and sound economic management on the continent." Through the NEPAD program, they made a commitment to the African people and the world to work together in rebuilding the continent. They pledged to promote peace and stability, democracy, sound economic management and people-centred development. They promised that they would hold each other accountable in terms of the agreements outlined in the program.

Almost seven years have elapsed since then. The question is how is Africa progressing with its goals and in particular what is the state of governance in Africa today.

The first goal that the African leaders set themselves was to end the conflicts that afflicted the continent. They committed themselves to strengthening mechanisms for conflict prevention, management and resolution at the sub-regional and continental levels, and to ensure that mechanisms are used to restore and maintain peace.

They chose wisely. The reality is that without peace and stability, there can be no economic and social development; and without economic and social development it is difficult to entrench viable democratic systems and systems of good governance. Without viable democracies and good governance it is often difficult to maintain peace.

These elements—peace, development and democracy—constitute a virtuous circle in which each element reinforces the others. However, if there is any beginning to the circle, it almost always lies in the need for peace and stability. As we have seen in Africa's war zones, little can be accomplished without them.

The root causes of conflict in Africa are also not difficult to identify. They lie in poverty, tyranny, poor governance and inadequate economic policies, and in the inability of people from different ethnic and religious communities to coexist within the same societies.

Together, these elements comprise a "vicious circle," which during the past 20 years has led to the deaths of more than six million people on the continent and to unimaginable poverty and brutality.

Most of the countries that have been plagued by civil warfare have also been among the poorest in terms of per-capita income. They have also had the most oppressive and incompetent regimes, and nearly all the conflicts have been exacerbated by tensions and hostilities between ethnic and religious communities that were artificially lumped together in the same geographic areas by European imperialists.

The way to address the vicious cycle is accordingly to promote the virtuous circle—the cycle of democracy and good governance, economic development and the circumstances necessary to enable different communities to coexist in the same societies.

The second goal that NEPAD set itself was to promote democracy.

African leaders committed themselves to promote and protect democracy in their respective countries and regions by developing standards of accountability and transparency and participatory democracy at the national and sub-national levels.

What progress has Africa made with the promotion of democracy?

Much of sub-Saharan Africa has, during the past 15 years made heartening strides toward democratic government. Freedom House, a New York-based organization which monitors the state of civil and political rights in countries around the world, now classifies 11 of Africa's 52 states as being "free" multi-party democracies (compared with eight only a few years ago); another 23 are regarded as being "partly free" and 18 as "not free." Interestingly, despotism is not primarily a sub-Saharan phenomenon: four of the five African countries north of the Sahara are classified as "not free."

Other aspects of good governance have proved to be more elusive particularly in the areas of accountability, transparency and macro-economic stability.

African governments also committed themselves in their NEPAD undertakings to creating an environment in which economic growth could take place. According to Tony Blair's Commission for Africa, African governments needed to improve the integrity of their legal systems and upgrade their physical infrastructure. They had to address problems of poor governance and corruption and had to stop over-regulating the private sector. They needed to stimulate trade through greater regional integration and the lowering of tariffs and non-tariff barriers.

How have they fared?

Corruption is still a major problem in most African countries. According to a survey conducted by Transparency International in 2006, 35 per cent of Africans reported that they or someone living in their household had paid some form of bribe during the preceding 12 months. The comparative responses for North America and the European Union were 2 per cent; for Asia and the Pacific 7 per cent; for the newly independent Asian and European countries 11 per cent; and for Latin America 17 per cent. Interestingly enough, the figure for South Africa was only 5 per cent.

There are also continuing problems with macro-economic policy and good governance.

The Economic Freedom Network carries out an annual assessment of the full range of governance factors in its annual World Economic Freedom Report. The report grades countries around the world according to more than 45 different factors, including taxation, trade and monetary policies, law and order, labour flexibility, market regulation and the independence of the judiciary.

According to the 2006 report Botswana has the freest economy in Africa. Nevertheless, it ranks only 35th in the world. Only three African countries are listed among the 50 freest economies in the world. South Africa is placed 53rd. Nineteen of the world's 30 least-free economies are in Africa. All this has serious implications for NEPAD's commitment to good governance and to its goal of promoting development.

There are some facets of economic policy that African countries must address as urgently as possible. They must stop the flight of capital from the continent. Although Africa rightly complains about its crippling debt burden, the reality is that US$285 billion left the continent between 1970 and 1996. Each year Africa loses another US$20 billion, which means that for every dollar lent to Africa in recent decades 80 cents has returned to the developed world.

Africa must liberalize its own tariffs, which are among the highest in the world. It must expand intra-regional trade which now accounts for only 10 per cent of its total trade compared with intraregional trade in Europe and North America which accounts for 67 per cent and 40 per cent of their total trade respectively.

At the same time there is a great deal that the international community can do to make the economic playing fields more even.

Steps should be taken to increase Africa's diminishing share in global trade, which has declined from 2 per cent in 1980 to 1 per cent in 1999. Although First World nations are quick to give lip service to the need to help develop African economies, they are often ruthless when their own interests are adversely affected. The tariffs that they imposed on agricultural imports from Africa are four to seven times higher than the tariffs they impose on manufactured exports.

The developed countries continue to subsidize their farmers to the tune of US$280 billion per annum. By so doing they make it difficult for Africans to compete in the one area where they have a competitive advantage.

Africa needs two things—a fair break from the rest of the world and the determination to address its own problems.

The New Partnership for Africa's Development is intended to do precisely this. It has identified the problems and has prescribed the appropriate remedies. Africa's main challenge now will be to turn NEPAD's programs into the reality of the African century that has been so passionately advocated by former President Mbeki.

Africa is already beginning to reap the rewards of the new policy directions proposed by NEPAD. Average growth in Sub-Saharan countries rose to 5.4 per cent in 2006. Much of this may be ascribed to the commodities boom, and, in particular, to increased oil exports. However, according to the International Monetary Fund a great deal is also the result of improved governance and more appropriate economic policies. As a result, foreign direct investment almost doubled from 1.15 per cent of world GDP in 1995 to 2.23 percent in 2005.

Africa needs to follow the NEPAD road map out of the Third World:

- It needs more progress with the promotion of democracy. Although it now has 11 fully functioning democracies on the continent, the reality is that there are still 18 dictatorships in Africa.
- It needs to apply the Peer Review mechanisms more fearlessly. This will not happen if African leaders continue to avoid criticism of regimes like that of Robert Mugabe of Zimbabwe who is in clear breach of everything that NEPAD proclaims.
- Africa will not break free from the Third World unless its governments continue to adopt policies that will liberate and energize their economies and lead to much greater intra-regional trade.
- It will not achieve its goals unless it can ensure basic standards of governance and can root out corruption.

The world cannot allow a tenth of its population to continue to wallow in the grip of Third World poverty and deprivation. The future of Africa depends on its ability to establish peace and stability, to promote genuine democracy and to ensure basic standards of good governance.

This is the formula that will ensure that Africa will also succeed in leaving the Third World behind. I am confident that it will do so.

I look forward to a new era in our globalizing world when there will no longer be such enormous divisions between the rich and the poor, between the developed and the undeveloped, and between the free and the unfree.

I look forward to an era when there will no longer be a Third World.

The appreciation of the meeting was expressed by Helen Burstyn, Chair, Ontario Trillium Foundation.

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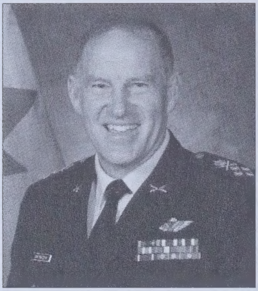
F. W. deKlerk, Chairman, Global Leadership Foundation (GLF), joint Nobel Peace Prize recipient 1993, and Former President, South Africa.



November 10, 2008

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

General Walt Natynczyk

Chief of the Defence Staff

THE CANADIAN FORCES—TODAY AND IN THE FUTURE

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Heather C. Devine, Partner, Gowling Lafleur Henderson LLP, and Director, The Empire Club of Canada; Nicola Gailits, Grade 12 Student, North Toronto Collegiate Institute; Rev. Dr. John S. Niles, MSM, Senior Minister, St. Andrew's United Church, Markham, and Past President, The Empire Club of Canada; David A. Rubin, QC, Honorary Lieutenant Colonel, 2 Intelligence Company, Partner, Gowling Lafleur Henderson LLP, Chair, Intelligence Security Diary, and Former Board Member, The Empire Club of Canada; Stan Benda, Senior Counsel, Department of Justice, Canada, Regulatory Section, Ontario Regional Office; Brigadier General David Fraser, Commandant, Canadian Forces College; Doug Morris, President, Morris Glass/Humidity Solutions, and Director, The Empire Club of Canada; Major General (Ret'd) Reginald W. Lewis, CMM, CM, CD, Past President, The Empire Club of Canada; His Excellency Habibullah Qaderi, Consul General, and Consulate General of Afghanistan in Toronto; and Blake C. Goldring, Chairman and CEO, AGF Management Ltd., and Honorary Colonel, The Royal Regiment of Canada.

Introduction by Jo-Ann McArthur

The threats in this century are very different from the threats in the last century. It used to be about preparing for mechanized attacks. Today it is often about defending against terrorism or organized crime.

As Canadians we have the luxury of forgetting that we remain on a list of countries targeted by Al-Qaeda and other terrorist organizations. The Canadian Forces continue to have a role in defending Canada.

They also help protect the weak and the vulnerable from total chaos. Canadian soldiers abroad continue to represent hope and remain wonderful ambassadors for our country, refusing to accept terrorism as a way of changing our societies and the international order.

General Natynczyk is a Winnipeg native who has spent 33 years in the Army as a tank officer. He took over command from General Hillier on July 1 of this year. As Major-General he received the Meritorious Service Cross in 2006 in recognition of his outstanding leadership and professionalism while deployed as Deputy Commanding General of the Multi-National Corps during Operation IRAQI FREEDOM where he helped direct the movements of U.S., British and Australian troops.

The respect he commands from senior U.S. commanders should also serve him well in his job overseeing Canada's war in Afghanistan.

The General also has a truly integrated command structure at home with each of the services represented, as he and his wife Leslie have three children, Margaret, William and John serving in the Navy, Air Force and Army respectively.

It is a great honour to welcome the General to our podium today.

Walter Natynczyk

Thank you Jo-Ann for those very, very kind remarks.

Ladies and gentlemen, it's a real pleasure to have the opportunity to speak to the members and guests of the Empire Club. I want to thank you for your very presence here today. By your very presence you are supporting the Canadian Forces. Toronto and this whole region have shown time and again how much it appreciates its military.

I'm really pleased to be your Chief of Defence Staff. I'm in my fifth month as Chief of Defence Staff and I keep on being asked whether I am enjoying the job? I'm thrilled. For the past few years before General Hillier threw me the baton, I was his Vice-Chief of Defence, basically the chief operating officer for the department—running a department with 90,000 in uniform and about 26,000 civilians with a budget of about $18 billion. I really appreciated the opportunity to understand how the department worked.

To actually have this job is tremendous because I can get out and meet all of those incredible leaders, representing the Army, the Navy, the Air Force and Special Forces and to meet the leaders and all the men and women who work for them—from Esquimalt to Halifax to Alert in the North. My mission is to protect Canada and Canadians and to safeguard Canadian interests abroad.

To do that I lead your Forces. I listen to their issues and I shape their success. There's plenty of adventure in this business. I was thinking about that as the Canadian Forces Chief Warrant Officer and I were being hung by a winch cable from the bottom of a Cormorant helicopter. The Search and Rescue technicians, one of whom is in the room here, said they were going to do a little technique called the teabag move. They dipped us into the North Atlantic Ocean a bit.

We were in Comox British Columbia about a week and a half ago. We were flying in a Buffalo aircraft and the pilots wanted to show us something that they do to descend into a mountainous valley in order to launch a Search and Rescue mission. It's called a valley drop. They actually descend into the valley with about ten metres of clearance on either side of the wings from the mountains. Let's just say it is an amazing job.

Wherever I go I can't help but be awestruck and inspired by the men and women in uniform. Canadians can take pride in having one of the most professional and best-trained militaries in the world. Why shouldn't we?

Why shouldn't we have the highest standards of excellence?

We take your sons and daughters, the kid next door, the family friends who grew up in the Canadian mosaic, pluralistic and well-educated society, with high morals and values, and then we put them through a very rigorous screening and training program and we put them through additional leadership programs that we have in professional development. They are courageous in their duties to their nation and they are exceptionally bright.

Today we're fortunate to have three members representing the Army, Navy and the Air Force and I'll introduce them during my presentation. There might even be a Special Forces person here.

What I'd like to do today is outline my assessment of where the Canadian Forces are today and where I believe we need to go in the future. Where we are today is a reflection of the services and sacrifices of those who went before us. Tomorrow, November 11, is a significant day in Canadian history. It's 90 years ago on the eleventh hour that the guns of the First World War became silent. Tomorrow, Canadians everywhere will remember the 90th anniversary of the Armistice.

The 90th anniversary honours not only those who have made the ultimate sacrifice, but all the veterans who returned home to build this great nation with the same courage, the strength, the leadership and the teamwork that they showed on the battlefield. Veterans like John Babcock, who at 108 years old is the last surviving veteran of the First World War.

Today we have with us incredible heroes and veterans. I'd like to introduce Joe Ryan. Joe is a veteran of Dieppe.

Do we have Murray Jacobs in the room? I'm sorry he couldn't be with us. Murray landed at Normandy. Ladies and gentlemen, how many others in this room wore the uniform? Please stand up.

Although you don't wear the uniform today, in a way I can call you retirement failures because the fact that you're here means you are still serving. God bless you and thank you for being here. By a show of hands, how many of you had parents or other family, neighbours or close friends who served in the military? My goodness. I just want to thank you for your support, because your loved ones could not have served Canada without your care and attention. God bless you all.

To understand the Canadian Forces of the future we need to review the past few years. Since 1989 funding and personnel have been cut dramatically while operational tempo has jumped with continuous peacekeeping deployments to the Balkans among other places. The term "decade of darkness" originated in Petawawa in 1996. It was after one of those afternoons in the mess. I was the commanding officer of the Royal Canadian Dragoons and my neighbour was the commander of the Second Regiment Royal Canadian Horse Artillery.

The fellow from across the street came over. His name was Rick Hillier. We had just finished a conference and all we could talk about was the fact that we were cutting resources to the brigade. We had a brigade of about 5,000 soldiers and we could not afford to maintain the buildings. We couldn't afford to heat them. We actually had to turn out the lights because we couldn't afford the electricity.

We talked about the fact that it would probably take a decade to figure this out. We said then that it would be a decade of darkness. Our combat capabilities were reduced to the point that we were only defined as peacekeepers and even this was an ugly myth, because a military force needs a combat capability to intervene, to stop violence, to protect those who are most vulnerable and to defend human rights.

Without these robust combat capabilities, our forces become a mere spectator to a conflict. I would ask you to read General Romeo Dallaire's book on his experience in Rwanda to understand the point that real peacekeeping demands combat capability and agile forces. Otherwise the ideal of peacekeeping is but a myth, misunderstood by folks who have not really witnessed modern conflict in all its ugliness.

Public support for the military was resurrected following our successes in the Manitoba floods, the Ontario and Quebec ice storms and the forest fires through British Columbia and Alberta. I think we even came out here to clear some snow.

I'm a Winnipegger. I had to throw that in there.

Increased defence budgets since 2005 began to reverse the downward trend in capability and we're now seeing some light on the horizon, with personnel growth, investment in equipment and therefore enhanced readiness. The Canada First Defence Strategy announced by the government this past spring outlines the plan and assigns resources to build the Canadian Forces over the next 20 years.

This is an important achievement. The Canadian Forces will actually take on three key tasks—to defend Canada, to be a reliable partner with the United States and to project leadership abroad to protect Canadian interests. The plan specified that we'll grow to 100,000, made up of 70,000 regulars and 30,000 reserves. We'll recapitalize our combat equipment, our ships, our aircraft and our combat vehicles. We'll enhance the Forces' readiness and our maintenance, and address our infrastructure requirements.

This is all good news. And yet there are many critics who say the allocation of resources isn't enough. In the Army we have a tactical saying and that is that no plan is perfect and plans rarely survive the first contact with the enemy. But I want to assure you the Canada First Defence Strategy is a solid plan to rebuild the Forces. Certainly it's the first of its kind in the 33 years that I've been wearing this uniform.

The problem is it's going to take years to rebuild the Canadian Forces. At the same time we are operating at a very high tempo, transforming the Forces to meet the changing global security situation, recruiting and training Canada's finest, and caring for our wounded and their families.

Let's talk about each one of these in the next few minutes. This is a very busy time for the Canadian Forces. We're engaged in many diverse operations both at home and abroad, including our largest one in many years—Afghanistan. Operations are our business. It's our product. It's our output. I like to say that the Canadian Forces are Canada's most valuable insurance policy. Our work begins here at home.

The most important mission of the Canadian Forces is to defend Canada and Canadians. Under the command of Vice-Admiral Dean McFadden on any given day we have 10,000 airmen, sailors and soldiers who are focused on protecting Canada. I like to say you have to win your home games first before you can start thinking about your away games. And domestic operations in Canada is our home game.

One of our essential missions that occurs on an average of three times a day or night is Search and Rescue. The Canadian Forces have exceptionally talented men and women who launch in aircraft and helicopters, normally in terrible conditions, to assist those in dire need. With us today is one of those incredible Canadians—Master Corporal Neil.

Master Corporal Neil began his career as an infantryman. He had two tours of Bosnia and a tour in Afghanistan before he became a Search and Rescue technician. A Search and Rescue technician is kind of like a paramedic, but he doesn't arrive in an ambulance. He parachutes into an Arctic storm. He is lowered by a winch cable onto a vessel in distress or he has to dive out of a helicopter into a turbulent sea. But every time he does that it's because somebody's in need. Thank you Master Corporal Neil for what you do. Incredible.

One of the regions that Master Corporal Neil has operated in is the Arctic and I'd like to emphasize the importance of this region for our domestic operations. It's a vast area that we place under one commander. Brigadier General Dave Millar is the Joint Task Force Commander of the North. Dave Millar commands an area larger than Europe and populated by about 100,000 souls. It's an unforgiving environment that holds immense mineral, oil and gas riches.

The climate is changing much faster than any one of us appreciates. I was up there in August at our station in Alert. This summer saw an incredibly busy shipping season with a record number of 51 international ships operating in the region of the Northwest Passage. As the polar icecap melts, the most cost-efficient shipping route through the region will be over the Pole and we are preparing for the whole new set of security issues that this development will present.

Dave Millar has the mission to exercise our sovereignty throughout the region. Using all of his assets from satellite-based imagery, ground and spatial radar, patrol aircraft, naval vessels and our Northern Rangers, we will support the Department of Indian and Northern Affairs, the RCMP, Coast Guard and Transport Canada to secure the North.

This past August, I sat on the deck of Toronto's namesake ship, HMCS Toronto, in Frobisher Bay near Iqaluit. The ship's crew was participating in the annual sovereignty exercise in the eastern Arctic. I've got to say, they were very, very proud to be there. A major component of the exercise plan is the service that we receive from the Northern Rangers.

They're made up of thousands of men and women. Many of them are community leaders and Elders, who form a reserve component of the Forces and patrol their regions. They act as the first responders to ground Search and Rescue and they actually instruct community children in traditional ways and skills as part of the Ranger program.

If somebody wants to invade the Arctic, it's probably going to be the Northern Rangers that will rescue them, because it's a really tough environment up there. When our troops go to the North to train, the Rangers train them on everything, from how to live off the land to how to escape from a polar bear.

Further south the Canadian Forces are preparing to support the RCMP in their mission to secure the 2010 Olympics. We have formed a Joint Task Force Games under the command of Rear Admiral Ty Pyle to support the RCMP and Assistant Commissioner Bud Mercer who has the lead.

With our U.S. allies under the co-operative agreement of NORAD, our Navy is guarding our sea approaches while the Air Force secures our air space. NORAD reached its 50th anniversary this year and we're fortunate to have somebody like General Gene Renuart as the NORAD Commander. Although he is a U.S. Air Force officer, he has a special place in his heart for Canada. Both of his grandparents are from the Winnipeg area. All the high-readiness aircraft that protect our air space are under his command.

As part of our relationship with the U.S., Canada agreed to a civil assistance plan that allows one's military to come to the aid of the other in the event of a military crisis. Our own Master Corporal Neil responded to duty this past Labour Day weekend when Hurricane Gustav was bearing down on Louisiana. He was dispatched to assist our American allies in the evacuation of hospital patients from New Orleans aboard one of our new C-17 aircraft. His mission involved moving ill and frail geriatric patients. During a flight a patient went into cardiac arrest and it was the professional and skillful attention of Master Corporal Neil that kept the patient alive. We are blessed with airmen the likes of Master Corporal Neil.

Beyond our borders and our continent, the Canadian Forces have the mission of projecting Canadian leadership abroad to contribute to international security. We've done so for many years. World War Two and the Korean War stand out, of course. But we've also worked hard during the second half of the 20th century to maintain peace in all places of the world.

Our current operations abroad are in line with the best traditions of service. We currently have troops on 19 different operations around the world and on any given day we have about 8,000 soldiers who are either preparing for, engaged in, or returning from operations. We have men and women deployed in places like the Sudan, Bosnia, Kosovo, Congo, Haiti, Cyprus and Egypt. This summer Commodore Bob Davidson assumed command of Combined Task Force 150, the multinational naval fleet that conducts security operations in the Arabian Sea as part of the effort to counter terrorism. I think Bob Davidson will be here in town over the next few weeks.

I was in Victoria B.C. two weeks ago to welcome home two of his ships—HMCS Calgary and HMCS Protecteur—that were part of the Force. I'm not sure if any of you have stood on the wharf for the return of a ship in the Canadian Navy but it's a special event. The whole crew has a lottery to determine who will be the first sailor down the gangplank. In the case of the Protecteur the fellow who won was a big fellow with a huge beard. He looked like Yosemite Sam and when he came down that gangplank and met his bride they locked in a kiss that took about 10 minutes. And the families were so patient, so patient.

When the Calgary came in it was quite different. The winner of the lottery gave up his ticket to a father who had not yet seen his newly born baby. That father came down, embraced his young bride and that baby for the first time and it was really awe-inspiring. Those incredible sailors did an outstanding job in the Gulf, interdicting those small coastal vessels from transferring drugs, weapons between countries and indeed smuggling people.

Recently we assigned HMCS Ville de Québec to Commodore Davidson's Force to escort World Food Program ships delivering life-saving supplies to Somalia. With every one of the ships that the Ville de Québec escorted, there was enough food for 50,000 people for six months. In addition, we sent HMCS St. Johns to assist Haiti after yet another devastating hurricane that mauled that battered nation.

We have a representative here from the Navy who I'd just like to highlight. Would Lieutenant Stéphane Paquet please stand up?

Stéphane is a marine systems engineering officer but he began his career down in the engine room as a stoker, as Ordinary Seaman Paquet. Through all of our training and professional development, his potential was discovered and he was commissioned as an officer, as a marine engineering officer. He is currently attending Royal Military College. He's enrolled in post-graduate studies in nuclear engineering. It's a long way from shovelling coal in the engine room. Well done Stéphane.

Afghanistan is the Canadian Forces' largest commitment overseas and we have approximately 2,500 troops there. It's the most difficult, complex, dangerous and costly operation that we've had since the Korean War. The mission has defined the Canadian Forces in this decade and will define us for decades to come. Not all of our personnel are there from the Army. We keep talking about troops. They're not all Army. There are many Air Force, Navy and Special Forces people there as well.

When I was there a year ago, I went up to the front gate of Kandahar. I saw a soldier there, classic, wearing a helmet, wearing his load bearing vest, bandoliers of ammunition and machine gun. I walked up to him and said, "What regiment are you from?" He said, "Sir, I'm from her Majesty's Canadian ship Protecteur." I said, "My goodness, a sailor. What are you doing here? You must be like a clerk, or a medic or a cook. One of those trades that we move out of the Air Force." He said, "Oh no Sir. I'm a hull technician. I weld hulls to ships." I said, "How did you get here? Did you get yourself in trouble?" He said, "No Sir, I went to the coxswain of the ship and I asked to do something different, and here I am."

I love this Force. Ladies and gentlemen, our Forces there are operating under a UN-sanctioned mission, a NATO-led mission and at the request of the government of Afghanistan. Our mission in Afghanistan has evolved significantly since we began our mission in 2002, especially after the recommendations of the independent Manley panel and Parliament's mandate and extension to 2011.

Today the government has established six priorities in transitioning the mission from a sole focus on security to helping the Afghanistan government: building the Afghan National Policy and Army capacity, providing humanitarian assistance, provision of basic services through development, building governance institutions, enhancing border security and assisting the Afghan government in reconciliation.

Of all these priorities, the Canadian Forces have the lead in the first one—building the Afghan security capacity. We enabled the success of other government departments in all the other priorities, but the essential underlying requirement is security. A stable and secure Afghanistan strengthens international security and by extension our security.

I like to say that Canadian security begins 10,000 kilometres away, where ungoverned areas become fertile ground for training camps whose sole purpose is to export terror. Afghanistan should not be viewed in isolation but actually seen in the context of a region in conflict. That region starts at the Mediterranean and sweeps across through the Middle East and southwest Asia. That's why our Navy was there and that's why we led Regional Command South for the past nine months.

Last week I welcomed home Major-General Marc Lessard, who so ably led the multinational forces in southern Afghanistan. General Lessard, just like Dave Fraser did two years ago, exemplified what we do best abroad to meet our international commitments with honour, to provide leadership and to contribute to peace. Our military is serving there as part of a whole government mission that involves not only military personnel but ambassadors, other diplomats, aid workers and police.

The main effort in Afghanistan isn't security. The main effort is governance, with an Afghan government that's respected far and wide through fair election that will take place next year. Building credible institutions will provide structure to a society, and protect the rights of its citizens. Then there is scope for economic development and hope for the future.

But the key ingredient for all of this is security. What's so difficult, however, is that Canadians are operating in one of the most violent regions of the country. Perceptions are often taken as reality and the cameras tend to focus on those acts of violence which colour perceptions far away. From all my operational tours I used to say, the farther you are from the sound of the guns, the less you understand what's happening.

If you talk to Canadian soldiers over there, or who've been there, they'll tell you how proud they are of what they're doing and what they're accomplishing. Your soldiers, your soldiers from private to general, describe tangible signs of progress. They tell you that progress is slow. It can't be seen in days; maybe months, but really years. It's mixed with a couple of steps forward and maybe a step back.

It's difficult to train people to become police officers in the military, where the rate of illiteracy is very high and achieved progress takes a human and financial toll. For example, this past summer Canadians led the way to transport a massive hydro-electric turbine from Kandahar airfield to the Kajaki Dam in Helmand Province. The turbine dam was a very high-value massive assembly, and yet NATO forces succeeded in delivering the turbine. Once it's operational, it'll have the potential to provide electricity to 1.9 million Afghans, providing them with tangible signs of progress and hope for the future. But ladies and gentlemen, an engineer reconnaissance patrol, led by Sergeant Eades of Hamilton Ontario with Corporal Sapper Stock, got hit by an IED as they were clearing the road days ahead of the turbine's move. They died.

Achieving progress has huge risks and takes a terrible toll. As much as we try, we can't eliminate the risks of bringing hope to the people. Hope occurs through improvements in health and access to medical care, more children attending school and employment through road and bridge construction. In one case we're sponsoring a road job with about 500 workers. One labourer was stopped by the Taliban on his way home after pay day. He was identified by the Taliban because he had crisp new bills in his pocket. He was shot in the leg and yet the next day showed up for work. He would not be deterred by these thugs. We guaranteed his job, and gave him time to recover.

Canada, through the Canadian International Development Agency, is doing a lot more. Restoring the Dahla Dam is essential to producing alternate crops other than heroin-producing opium in Argandab Valley and improving the potential for agriculture and therefore creating more jobs. We are building and restoring schools in the region and also aiming at eradicating polio from Afghanistan by 2009.

It's the soldiers who have seen the true situation there. Soldiers like Master Warrant Officer Dave Goldenberg. Master Warrant Officer, please stand up. Master Warrant Officer Dave Goldenberg is a Sergeant Major in the Queen's York Rangers, right up here in Aurora. He is a dedicated soldier and has been for 17 years. He's also a constable in Durham Regional City Police Service. He returned from Afghanistan last year. We worked all over Kandahar Province and an important part of his job was to talk to the locals and get to understand their issues firsthand. Since his return from the mission he's been training those preparing to deploy.

Today we're putting a lot more emphasis on building the capacity of the Afghan National Security Forces. Today your young officers and young non-commissioned officers are mentoring five Afghan battalions at brigade headquarters in Kandahar and the Afghan soldiers are successfully leading and often conducting independent operations. That was not the case when Dave was there two years ago. In fact, two years ago we could not have a battalion of Afghan Army out there.

A year ago we had one battalion. This year we have five battalions of Afghan forces. And we also have police. We have a combination of Canadian military police and soldiers who are mentoring 200 Afghan police in the Kandahar region and supporting the RCMP in their efforts to professionalize the police. But this is dangerous work. Last week I met with Corporal Billy Kerr, a reservist from Sudbury. Billy was in the Ottawa Civic Hospital and he's an amputee as a result of an IED strike where he caught the blast and probably saved the lives of the rest of his patrol.

Despite his terrible wounds, he was so spirited and so proud of the mentoring team, his police mentoring team.

He kept asking whether they knew that he was okay. He was also proud of his Afghan police detachment. He knew that the police were often accused of corruption but he said that that didn't apply to his guys. His guys were so honest that you could actually give them money to buy their food. They'd go off and buy a goat and come back with the change. Folks, that's pride. That's pride in the Afghans and what they're able to do.

The financial toll of this mission is significant as we've allowed the Force to become hollow over the past few decades and a huge investment was required in short order to enhance the protection effectiveness of the equipment. Now our soldiers like Master Warrant Officer Goldenberg are confident in their equipment. He and all the veterans from his operational experience are witnessing the new normal—the new normal of complex, multinational operations in a dangerous, rapidly changing part of the world.

However, the Government of Canada has decided the military mission in Afghanistan will end in 2011 while efforts for governance development and reconstruction may continue. So the Canadian Forces are planning on this exit strategy with our allies to ensure a seamless transition of our security responsibilities in the Kandahar area. But our focus remains on enabling the Afghans as much as we can in the next three years that remain. Three years is a long time in this business and the soldiers are focused on each one of the troop rotations that have yet to occur over the next few years.

When the Canadian Forces end their mission, I have no doubt that our services will be called upon in other troubled regions of the world. There are plenty of other countries and people who need and look forward to help as the Canadian government chooses. Since the Second World War, tens of thousands of our troops have served in what some call the Arc of Instability. It stretches from the Balkans in the Caucasus, goes through the

Mediterranean, covers Africa, the Middle East, southwest Asia, southeast Asia and ends in the Pacific with Korea.

Ladies and gentlemen, our first casualty of peacekeeping operations after the Second World War, Brigadier Engel, died not too far from Afghanistan. Indeed, he died in Kashmir in Pakistan in 1951. We need to be ready for these future operations.

That's where the Canada First Defence Strategy fits in. With this strategy we're rebuilding the Canadian Forces. My priority task includes modernizing and growing the Force to prepare for the operations of tomorrow. We've made some progress, acquiring the C-17 and the Leopard 2 tanks which have already saved many lives in Afghanistan. We've signed contracts to purchase a C-130J transport aircraft. But it's difficult after so many years of financial reduction in the boom-to-bust defence industry to ramp up the machinery for this huge rebuilding task in short order.

The Department of National Defence I know is working closely with other departments to advance the program but the area that concerns me the most is shipbuilding. While we have proved that we can purchase aircraft and vehicles, Canada's policy is to build its warships at home. But we haven't launched a major warship since the HMCS Ottawa came off the launch rails in the mid-'90s. Shipbuilding takes a long-term continuous commitment and our shortest time on record to design, build and launch a ship is eight years.

With the Canada First Defence Strategy we now have a 20-year defence plan to enable this consistent commitment. The plan indicates that we need in excess of 25 ships. We need to jumpstart the process. I need to replace those 40-year-old ships.

Although the daily economic news continues to announce company layoffs, the Canadian Forces are indeed hiring. We're hiring. I need to grow this Force. The growth of the Canadian Forces is my greatest challenge right now. Your three service Chiefs, Andy Leslie commanding the Army, Drew Robertson commanding the Navy, and Angus Watte commanding the Air Force, have one challenge in common—a shortage of people.

I'm looking to recruit 8,000 regulars and 6,000 reservists each year. Our plans are to grow by a thousand a year to our planned ceiling of 70,000 regulars and 30,000 reservists. Retirements are coming in faster than we expected, so we didn't reach our growth goal last year. I wanted to grow by a thousand. I grew by 650. While we're receiving our targets of new recruits coming in the front door, many of our personnel are reaching their 20-, 25- and 30-year windows for retirement and they're opting for other careers.

As well, since we did not recruit very many people during the '90s when we were downsizing, we have that demographic bubble. I know many of your companies have a demographic bubble, and that is people with between 17 and 18 years of experience. But unlike many of you, I must grow my own leaders, my own technicians. I can't hire them through want ads in the Globe and Mail, or headhunters. I've got to grow my own.

Industry is hiring my early retirees because of the well-educated leaders that they are, reflecting our outstanding instructors, schools and academies. The retirees have dedicated much of their life to service and know that they've received the leadership training that makes them exceptional Canadians. What I've said to them, however, is that if their new pursuits don't work for them I'll welcome them back with open arms, as long as they stay fit. If they've retired over the past five years, I'll expedite their re-enlistment.

Each and every one of our personnel makes an individual decision to join the Canadian Forces. But when it comes to retirement, we expect, like most of you, it's going to be a family decision. When I got home from Iraq it was a long year. It was a hard year. I was at my 30-year window. I came home to my wife and I said, “Sweetie, it’s time to hang up the spurs.” She looked at me and said, “Suck it up.”

And here I am today. Our men and women couldn’t do their job if it wasn’t for their families. That’s why one of my priorities and my leadership team’s priorities is to put a significant emphasis on addressing the dissatisfiers to family quality of life. Our families make incredible sacrifices. The many moves, time away from loved ones, the worrying and the strain. Problems with child care, housing, access to a family doctor, educational standards for military children who get transferred between provinces and the loss of spousal employment are the main reasons for military members to pack it in early and retire.

I’m dedicated to addressing these shortcomings in our family support and our Force retention effort. Through our combat experience in Afghanistan and despite our very best efforts to protect our personnel we’ve taken losses. Lives are lost and able soldiers are wounded and we grieve for every one of our 97 fallen soldiers and their families. We’ve lost some brave soldiers. Some of them close to your home like Sergeant Eades from Hamilton.

If you saw that amazing Coaches Corner on Hockey Night in Canada on Saturday Night, Don Cherry displayed a picture of Sergeant Eades and his family on his show. Don Cherry is a huge hero of the Canadian Forces. I want to take this opportunity to thanks the folks here in Toronto, starting right at the top with the Premier of Ontario for his support in naming the Highway of Heroes.

I want to thank the OPP, Toronto Police, the Fire Services and the EMS workers and all the regional police and fire services between Trenton and downtown Toronto who go to great lengths to enable those convoys with our fallen comrades and family to make the journey to Toronto in a solid convoy. And to all those Canadians who line the Highway of Heroes along the 401 and stand on the overpasses to offer their salute. To the Toronto

Airport Authority who assist in each case when we bring home a wounded soldier. To the Canada Company, with Blake Goldring, the founder and chairman, that has created a scholarship to support the children of military parents killed while serving in operations.

This past Friday I was at Beechwood Cemetery in Ottawa and the Canadian Legion announced at that time that Avril Stachnik would be our Silver Cross mother beginning her duties tomorrow. Her son Shane was killed in action in 2006. Ladies and gentlemen, our families have been the Canadian Forces' greatest supporters. One mother told me earlier this year that she recalled her son's wishes on his third tour of duty—and he really, really wanted to go. He knew what he was doing. He believed in the mission and he'd be fine. But if he didn't come back he wished that she wouldn't do anything or say anything that disrespected his choice to deploy.

We've changed many policies to make sure that we take care of the families of the fallen, that they're treated with dignity and respect. And we do the same for the soldiers, sailors, airmen and women who are injured and wounded in operations. We're far from perfect and we know that. But we're better than we were and we continue to learn with each and every case, to make sure that we provide the very best care and attention that the country can provide.

I want to mention Corporal Kerr. We flew his girlfriend and family to the U.S. Army hospital in Germany to see him when he was in critical condition. As he emerged from his sedation he told his girlfriend that she was free to break up the relationship. He saw the writing on the wall and he said, "You know, forget it. Don't worry about it. Don't worry about me." She refused. She refused and said that she would stick by him.

That put a lot of pressure on him as he worried about the care and the welfare of his lady. But his tension eased immediately when our assisting officer explained that we would care for the family throughout the rehabilitation process.

We take care of the family and we're going to do that for as long as they need our help. We'll also ensure that our wounded soldiers will have options to remain in the Forces if they wish. And if not we'll assist them with Veterans Affairs Canada, traditional education, and job placement in their transition to civilian life.

Thanks to many of you, especially the TD Bank, for its support in providing career options for wounded officers. We're establishing joint personnel support services at our major bases and we're staffing them with medical folks, psychological specialists, and personnel services including Veteran Affairs Canada to cater to the unique requirements of our wounded.

Corporal Mark Fuchko lost his legs in March of this year. Seven months after his ordeal he was already inspiring other veterans by participating in the five-kilometre run the Army runs in Ottawa. Mark is the face of Canada's new veteran—a veteran of the 21st century. You can see in Mark Fuchko's face the same sense of courage, of honour and of dedication to the country that all veterans at Remembrance Day ceremonies will carry in their hearts and their souls.

Ladies and gentlemen, you have one of the finest military forces in the world. We in uniform are committed, we're professional and we're determined. We're coming out of a difficult period of underfunding and over-tasking but we have a plan and the resources to grow, to modernize and to enhance our ability to react to security challenges in the future. I would ask that you think of your Forces and the job they do for Canadians. Please show your support in ways big and small, like being here today, attending a Red Rally, putting a yellow ribbon sticker on your car, donating to the military families fund, sending letters, or just thanking a military member when you see them in a uniform.

We appreciate the job protection for our reservists. I cannot overstate how grateful we are to the sports teams, like the Raptors, the Leafs and the Argos for hosting our soldiers, sailors and airmen and their families. You are maintaining that essential connection to your military. I would encourage young people—folks who want to learn, to serve, to lead, to innovate; people who want a career with adventure; people who want to wear with pride Canada on their shoulder—to give us a look, to get fit and to join us to ensure that Canada is secure for the future.

I would just ask you, as you leave here today, to please remember those Canadians in harm's way right now. They're on the high seas on patrol, they're flying at 40,000 feet over the Arctic, or they're at the point of a spear on a foot patrol in Kandahar. In your own way and in your own traditions please remember them and please remember their families and the sacrifices they make for Canada. Tomorrow on November 11 please take the time to remember those who took the same path well before us.

Thank you for your attention. I'm really proud to be your Chief of Defence Staff.

The appreciation of the meeting was expressed by Doug Morris, President, Morris Glass/Humidity Solutions, and Director, The Empire Club of Canada.

Blake C. Goldring. Chairman and CEO, AGF Management Ltd., Honorary Colonel The Royal Regiment of Canada, and General Walt Natynczyk. Chief of the Defence Staff.

November 13, 2008

Joan Green

Former Toronto Director of Education, Founding CEO, Ontario Education Quality and Accountability Office

Lynda Palazzi

Member, GO Transit Board of Directors, Former Superintendent, Peel District Board of Education, and Former Director, Membership Services, Ontario College of Teachers

Mike D'Abramo

Director, Research and Strategy, Youthography

EDUCATION PANEL DISCUSSIONS

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Heather Ferguson, President, The Hearing Foundation of Canada, and Director, The Empire Club of Canada; Reverend Canon Philip Bristow, Incumbent, St. Philip's On-the-Hill, Unionville; Fannie Feng, Grade 12 Student, Eastern Commerce Collegiate Institute; John C. Koopman, Partner, Spencer Stuart, and Past President, The Empire Club of Canada; and Ken Shaw, National Editor and Anchor, CTV News at Six.

Introduction by Jo-Ann McArthur

Today's average 21 year old has already watched 20,000 hours of TV, played 10,000 hours of video games, talked on the phone for 10,000 hours and has sent or received 250,000 e-mails or text messages. You quickly understand why they are multi-taskers!

More than 50 per cent of them have created content on the Web.

They have grown up in a world of instant everything—information, communication and entertainment—and it all travels with them in a device small enough to fit in their hand.

Literacy in the 21st century has a very different definition. They are a generation of collaborators and digital learners. They think in "multi-media" and demand to be recognized, heard and engaged.

Yet the classrooms and workplaces of the 21st century look remarkably the same as they ever have. Obviously something's got to give.

To help us boomers navigate through these changing times we have Ken Shaw, whom CTV viewers have relied upon for over 25 years to deliver a clear and comprehensive report on the news of the day. Ken is also a Director of the Empire Club.

Joining Ken is Joan Green who has had a distinguished career as an educator and leader in the public sector. She was Director of Education for the Toronto Board of Education, and, prior to that, served as a teacher, principal, and superintendent for the City of Toronto. She has also served as CEO of the Ontario Education Quality and Accountability Office and as a Commissioner on Education for the Province of Alberta.

Lynda Palazzi has served as Academic Director in a vocational school, Principal of one of the oldest independent schools for girls in Canada, and held a number of supervisory roles, including Acting Director for the largest school board in Canada.

Mike D'Abramo is Director, Research and Strategy of Youthography, North America's only full-service research and marketing communications agency dedicated exclusively to youth.

Mike eats, sleeps and breathes young and youthful culture combining his experience as a former high-school and university educator with his technological savvy.

I feel safe in guaranteeing that you will understand more about Generation Y and Z when you leave lunch today!

Over to you Ken Shaw.

Lynda Palazzi

It is a great time to be talking about our Gen Ys and Gen Zs—that huge group from 11 to 30 now in our schools and workplaces.

Just last week in the U.S. presidential election, we saw how powerful they are. For the first time young people flooded the polls determined to make change. Inspired by a charismatic leader and enabled by the power of the Internet to communicate, build networks, organize data and develop grass roots fundraising, history was made.

Given their numbers—27 per cent of the American population is now between 11 and 30—schools and businesses need to reflect how they harness the energy and skills of this group to create positive change while working alongside the rest of us. The current global financial crisis makes this even more challenging as the job market tightens and changes.

How do we do this? I believe by asking a fundamental question: "How much do we care?" We already know everything we need to know about teaching children, as difficult as that may be for some that are more challenged than others. The real question is: "Do we care enough?"

A difficult question; who is "we"?

The well-known African expression that it takes a village to raise a child has profound implications in our mobile, technological society where the village is now global. We have undergone social tsunamis in families and young people today may have more social networks online than in real life, making it harder perhaps to build strong positive real-life relationships.

Schools simply cannot do the caring, teaching and support on their own. Therefore, the "we" becomes all of us. How much do we care?

I suggest the Barack Obama phenomenon was a prime example of caring. Millions of young people cared enough to use technology to help ensure overwhelming victory.

Don Tapscott's latest book, "Growing Up Digital: How the Net Generation is Changing Your World," says this is the first time in the history of the world when children are an authority on something really important.

As a result, children today require far more complex skills, with a baseline of literacy, numeracy and problem solving that is non-negotiable not only for their learning, but for their future success personally and in the workplace. Let me assure you that for the most part, schools are doing their best to provide these new levels of intense curriculum. However, there is another side to this. Not all students can rise to the new expectations and they need different levels of teaching and support. Joan Green will be giving you examples of what is happening now in education.

If parents, for whatever reason, are unable to provide the support necessary for their children to learn, what is our role?

I suggest we cannot afford the economic and social failures of any of our population. Loss of human potential is tragic, not only for the individuals and families involved, but for our future development and security. Canada has no population to waste and future workplaces will have little room for those without high literacy, numeracy and technological skills able to work positively with others.

I want to talk about attitude. Much has been said about the sense of entitlement that some young people exhibit and their difficulty into blending into traditional working cultures. Don Tapscott calls this "bumping up against the 'Dilbert Cubicle' syndrome."

As a former HR head of more than 12,000 employees (and 11 unions), I guarantee most employee issues relate to attitude.

In today's workplace, we face fascinating issues. You need a high level of empathy and sensitivity to juggle the delicate balancing act of gender, diversity, multi-generations, health and safety and accessibility. Now add to this our Gen Ys and upcoming Gen Zs.

They have been raised on the freedoms and fantasies, the instant communication and endless sources of on-going information, entertainment and social networks provided by the Web. Plugged into their earphones, with cells at the ready, they require different supervision, mentoring and support. They were not raised in eras of respect for authority and clear protocols governing dress, manners and forms of communications. They are bright, impatient, know how to access information and opinion instantly and have small tolerance for those of us more traditional in our approach. They may be more skilled socially at networking and communicating online than in person with their bosses and fellow workers.

They may not hear as well as we do—28 per cent of them have suffered permanent hearing loss by the time they enter the workplace according to research by the Hearing Foundation of Canada. The reason—they have been plugged into high volumes their whole lives.

They can work anywhere, at anytime, but preferably not too early in the morning. They frequently are the IT manager of their family as early as 10 or 11 and learning for them is on-going, whether they realize this or not.

Another interesting insight, based upon 10,000 interviews in 12 different countries, Tapscott's book concludes this group is "more politically savvy, socially engaged and family-oriented than society gives them credit for."

So trying to hire them into neat little boxes is unlikely to be highly successful. In fact, Dr. Sherry Cooper in one of her many books says they don't even know there is a box.

You can see the potential for some interesting office drama, as different generations work together and may sometimes collide.

I believe we need to forge a new "work ethic."

By this I mean a working environment and work ethos that reflects and supports gender, diversity, multi-generational and family needs; that capitalizes on the extraordinary new knowledge and skills of our young citizens; that allows us to work without penalizing new ideas, new patterns of behaviours, even considers new time frames and schedules.

If we care enough about our future, our productivity, our children and grandchildren, we have to consider how to engage our new generations into our work forces and keep them, without displacing or threatening the rest of us who offer experience, history and collective memories.

Here are a few suggestions for skills we all need to develop and role models, whether we are in the schools or the workplace:

- Levels of literacy and numeracy to ensure a competent, successful employee as well as future learning and living life with enjoyment. This applies equally well to the office worker, the entrepreneur, the sorely needed trades people and the professionals, artists, musicians, technicians and sales forces of the future.
- The ability to study, work and live in diverse communities that honour and learn from a multitude of perspectives.
- An understanding of the essentials of living healthy and active lifestyles, not just physically, but emotionally and mentally. Workplaces designed to facility this goal. (I want to work with Mike!)
- Use of emotional intelligence to empathize and relate to others, building compassionate relationships and strong positive social and family networks.

- Financial intelligence—out of our current economic challenges find ways to reinforce a sense of individual responsibility—buy now pay later; giving into continual instant gratification are hardly recipes for healthy futures, financially or otherwise. Everything has to be paid for at some time by somebody.

The reality is that our challenge of welcoming and capitalizing upon the strengths of our young generations is critical to society's ability to grow and change. This reality may not be new. However, it is more challenging today than ever before in history as these young people are more adept at mastering technology and unleashing its power to change the world than we ever dreamed. Discussions such as we are having today are important first steps to understanding and unleashing this powerful potential.

Thank you very much for the opportunity to explore this topic with you and my distinguished colleagues.

Joan Green

Good afternoon.

I'm delighted to be here with my fellow panelists.

On Oct 27, at the invitation of the Canadian Education Association, the public education advocacy group, People for Education, and the CBC, several hundred people gathered at the Glenn Gould Studio to talk about our country and our aspirations and what both mean for our schools and the students and the communities they serve. As the moderator of that discussion put it: "Economic crash, environmental crisis, demographic transformation, Canada at a crossroads: its population, its economy and its very environment are experiencing a seismic shift and it's going to take more than being good at reading and math to thrive in the 21st Century."

A strikingly similar topic to ours today as we think about what our generation Z students, sometimes called the 9/11 generation, need to know, do and value to learn for a lifetime, achieve their own goals and contribute to a civil society. Many in this room are baby boomers or zoomers as the marketers like to call us; most of the rest of us are probably the group initially dubbed "baby bust" and now known as Gen Xs born roughly between '65 and '80. Then, as one HR specialist says, things "get interesting." We have Millennials, or Gen Y, sometimes called "echo boomers" born from 1980 to the late '90s and most recently, Generation Z. Gen Ys are often jokingly stereotyped as plugged in, needy and demanding. Gen Ys expect individual recognition and support to pave the path to success, They want to be connected to the organizations they work for. They value relationships, personal development and new skills. Their younger siblings, the Generation Zs, were born from 1995 onwards.

They are extremely technologically savvy and they know they are facing a very complex world. The Zs have never known life without cell phones and the Internet. They are deeply concerned about the environment, terrorism and violence in the world. The year 2008 marks the entry of the oldest "Zs" into adolescence; they are now the students in our high schools.

The first Ontario Superintendent of Education, John G Althouse, believed that the purpose of public education was to help students become privately happy and publicly useful. It sounds as good today as it no doubt did over 100 years ago. The question is, "Have we ever done it?" and how do we do it in 2008 for Generation Zs, who aren't allowed to be kids for very long. They are growing up in a world, which is focused on achievement and outcomes. Social analysts say they will have more degrees, certificates and diplomas than any preceding generation. Being forced to grow up younger will make them more street-smart. Optimists predict that "Zs" will make great strides to deal with the challenges of the environment, global conflict and economic uncertainty because these issues, which have been imprinted on them from their youngest years, will inform their life choices. The “Zs” are thought to be a more sophisticated generation who will use technology and their own networks and innovations at a level of complexity and interconnection never before possible.

Groucho Marx once quipped that “the future ain’t what it used to be.” If students could once make their way in the world without life-long learning, that day is long gone. As Lynda said, in 2008, we now know with painful certainty that the haves and have-nots are determined by their capacity to learn, create and collaborate, both in and outside school. We keep many more kids in school than in the past.

But the price for losing some of our students to discouragement and defeat is much steeper than it used to be. If a school gives up on a young person in 2008, the impact is devastating for the student and for society because the safety nets of the past, both in terms of employment and personal options, are hard to find without the benefits of a dynamic education.

Our economic and social environments have been transformed by the richness of diversity, amazing technologies, mobility, unpredictable career paths, and the uncertainty of international events. If we once worried that our students didn’t have enough information about important things, we now have to be concerned about how they make sense of the dizzying array of information, ideas and issues that bombard them every hour of every day.

New times demand new ways of learning. It has been said that the person who does the work is the person who learns. If truth be known, Gen Zs aren’t good captive audiences so when they can’t relate to what is happening in the classroom where the teacher is “the guard to the portal of knowledge" rather than "the guide on the side," they simply wait for the end of class so they can return to their real world of multiple literacies and questions that interest them.

Recent research builds a compelling case against some of the accepted truths of the traditional schooling model that sees the learner as the recipient of information from the teacher and static learning resources. Contemporary students cannot be asked to be ingesters and regurgitators of ideas and information fed to them by others.

When Generation "Zs" who are curious and eager to achieve investigate a problem and share what they know with others, they become knowledge-builders. This is just what we need in the workplace and in Canada's innovation efforts. When our kids learn significant things through their own investigations, they come to see that ideas are improvable and that they can make a contribution to their community of learners and beyond.

If the adults in their lives foster Gen Zs' meta-cognitive skills, we will help them understand their own learning and make the most of it now and when they enter the work force. We need to provide constructive feedback that is really "feedforward" so they can, as one grade three student told me, "know what good work looks like and what comes next"! That young man will go far because when I asked him if I could use his quote on the brochure for the EQAO, he replied, "Speak to my mom and we can strike a deal!" If we get it right, Gen Zs will leave school able to be the innovators, collaborators, critical thinkers and civic contributors that our world needs and expects them to be.

We always have good intentions about creating the best climate for learning but sometimes we miss the mark. When I was Director of Education visiting an elementary school in Toronto, I had this dramatically brought home to me by the urgent advice of one student to another. This school was proud of a focused, individualized language arts program. On the day of my visit, two seven-year-old boys were happily waiting to see the principal to show her their written work as they were encouraged to do. The principal kept a terrarium outside her office with particularly fascinating frogs in it. As the boys talked about the frogs, one of the boys reached in to pick one up. The other boy quickly exclaimed, "Don't touch that frog or they'll make you write something about it!"

A few years ago the Carnegie Foundation consulted widely to define the key factors necessary to create the conditions for successful schooling. The four indicators they cited align powerfully with what Generation "Zs" need and want:

- durable self esteem, based not on isolated successes but rather on moving with confidence and competence from one situation to another.
- flexible and inquiring frames of mind.
- emotional and social competence, empathy, and strong personal relationships.
- Finally, successful schools help Gen Zs make a contribution beyond their own immediate group.

University of Alberta professors Jardine, Clifford and Friesen have called optimal learning "Hard Fun": hard because it is challenging and fun because it is engaging. I cannot think of a better way to describe the kind of learning that life in our rapidly changing world calls for. Just as Bill Maher said the other night on Larry King Live "America has rebooted," so has education to meet the needs of our contemporary students and help them embrace learning that is not neat, is sometimes a struggle, unpredictable and full of exhilarating challenge. Just like the tough and complex workplaces and communities that Gen Zs will enter in adulthood. When they leave school, they will become citizens who will need to think critically and strategically to solve problems, new and old. They will continue to learn in rapidly changing environments and build knowledge from numerous sources and different perspectives. They will be called upon to understand systems in diverse contexts and collaborate locally and around the globe.

These attributes contrast sharply with the discrete, low-level skills, content and assessment methods of schools we may remember where the teacher was the information provider and the student the passive recipient.

Even instant access to the vast arrays of information that are at the disposal of Gen Zs is not, in itself, the key to learning for a lifetime unless we look squarely at how we foster imagination, involvement and analytical skill. Gen Zs can't fathom the world without the technologies that their elders often fear and resist. However, as Seymour Papert warns, "Educators must avoid simply trying to strap the jet engine of powerful technology to the old worn-out frame of horse and buggy schools. If that is done, all that will happen is that the force will shake the buggy to bits and scare off the horses." We want to be sure we don't use technology to get bad results faster. When schools use it to develop connection, communication and higher-order thinking, students experience "hard fun" and collaborate, compete, contribute and create as they learn from the past, work in the present and help invent the future.

Finally, a word about schools and their relationship to parents. Parents send their best kids to school!

Schools that are working well encourage parents in every possible way to model interest in learning. When parents, in partnership with teachers, have high expectations, honestly affirm efforts, and help their children own and understand the purpose of their work and give them some rope to explore, the stage is set for learning and success in career, community and life. As Lynda said, we all have a responsibility to try to level the playing field for children who don't have the basics of support and challenge. When our schools and social structures assist families in providing both of these, children are more likely to participate in the "hard fun" of really learning. This is natural work for parents once they know how because most of us consider our own offspring to be very clever indeed.

Generation Z has the right stuff and with our help, "Yes, they can!"

Mike D'Abramo

My "thesis" is very much in line with what has been said before me: the next generation of worker will have wholly different expectations when they join the work force.

So first, how did I get here?

I was a high school teacher and after three years I expressed my dissatisfaction with the system to a friend who worked in marketing. He told me about this idea he had that young people today were so different and thanks to the Internet and other technology, the whole country is going to change dramatically in the next generation. I responded as any friend should after hearing this: I bought him another drink.

But he pressed me for a serious response and he was right. I saw it in my classroom. In 1997, I taught a computer class of 32 (or more) students and told them the entire class will be conducted online. All assignments will be e-mailed and grades distributed online. Of my grade 9 students that year only two had an e-mail address. One year later I taught another group of grade 9s and only two didn't have an e-mail address. In that same classroom, I was introduced to Napster, merely a month after it was released. I first used Google there. One class, one year. A lot of education.

So what happened to me? I left teaching and helped start Youthography. Our raison d'être is to understand young people for businesses, governments and not-for-profits.

When you are called "Youthography," you can get a lot of weird calls. We got one in 2004. It was from a mining company. Yes, mining. I know what you're thinking: I thought they stopped letting young people work in mines. You are right they did. In fact, the call was about how they couldn't find young qualified applicants for most jobs. Then we heard from parts of the nursing profession. Then those in banking. Then those in government. We still haven't stopped hearing from people in government. They all want to know, "What's with the kids these days? Why do they all expect to get promoted tomorrow and treated like experts on day one?" So we started dedicating part of our business to this phenomenon.

First thing we have to understand: young people start growing up at a young age and take forever to reach full adulthood.

Caring for themselves after school, reaching puberty and making decisions about education all happen younger than previous generations.

At the other end of the scale, 42 per cent of unmarried 20–29-year-olds live at home.

This generation is graduating, getting married and having children three to four years later than previous generations.

Kids grow up faster and take longer to finish growing up. When you see that 25-year-old in your office who you think needs to grow up, you're not wrong. He or she isn't done yet.

And we haven't even talked about expectations. It's hard for a young employee to be patient because they never had to be.

Where do expectations come from?

- When they want to reach someone, they can e-mail, phone, text or IM the person on the handheld device they've had for most of their life.

- Mobile phones now are digital camera Internet devices that play music. Things always get better and/or cheaper.
- Text books are obsolete. Google is always right.
- Facebook represents a fundamentally different way of thinking, just like technology has converged, so have their lives—work, home, social, consumer, school, media—all merge in one place.

This brings us to the question of how does this affect business, especially with regards to employment.

Youthography has been conducting research for four years on this topic and the results have been pretty clear: skills matter more than money (although money is still really important). They have no fear of changing jobs. About 65 per cent of them work in a field not related to their education.

Why do they have such high expectations from their work?

- They are the most educated generation in Canadian history. There has been a massive increase of degree holders and post-grad degree holders over the last decade.
- Debt: when it costs more, you expect more. This generation carries so much debt that of course they expect their degree to accelerate their way up the ladder.
- They've been told they can become anything they want for as long as they've been alive. They've also been told they'll have seven careers in their lifetime so if this job doesn't work out, it's cool and I've got other options. I have a colleague in music marketing that told an ambitious 20-something on her staff that she wants to promote him but asked if he would be willing to wait six months so that he could become their lead in London, England. The staffer treated it like the bridge to nowhere: thanks but no thanks. He quit and travelled Asia for six

> months and then showed up looking for his old job back, thinking nothing of how his decision could affect his employer.

They simply see the world through a different lens than you or I. They live in a different time and grew up under different conditions so we shouldn't be surprised. A government client we worked with had a great story that put it into perspective for me. She had a 24-year-old staff member join the team who, after her first month, racked up a few unexplained absences. When confronted she responded simply, "I didn't know I was supposed to be here every day." She was told she had to and you'll be happy to know, she's had a perfect attendance and a strong performance review as well.

And that brings me to my closing. While most of what I have shared today might cause alarm, it shouldn't. These kids will grow up. When coached properly, no one will work harder for you. They'll be on their BlackBerrys getting work done while they are out on the town late at night (I'm certain most of you have got some important business e-mail well outside business hours). They're innovative. They want to succeed and make their world a better place.

It made be our changing world right now, but it'll be their world soon.

The appreciation of the meeting was expressed by Heather Ferguson, President, The Hearing Foundation of Canada, and Director, The Empire Club of Canada.

December 18, 2008

The Hon. David C. Onley

Lieutenant-Governor of Ontario

ANNUAL CHRISTMAS LUNCHEON

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

David Goodwin, Director, The Empire Club of Canada, and Co-Chair, The Empire Club of Canada Christmas Luncheon; Dr. Lareina Yeung, Volunteer, Volunteer Optometric Services for Humanity; Richard Te, Volunteer Marketing Director, Ancop International Canada Inc.; Dalal Al-Waheidi, Executive Director, Free The Children; David Russell-Hill, Volunteer, Daily Food Bank; Rev. Dr. John S. Niles, Senior Minister, St. Andrew's United Church, Markham, and Past President, The Empire Club of Canada; Her Honour Ruth Ann Onley; George L. Cooke, President and CEO, The Dominion of Canada General Insurance Company, and Past President, The Empire Club of Canada; Gareth S. Seltzer, Past President, The Empire Club of Canada, and Chair, The Empire Club of Canada Christmas Luncheon; Lieutenant Commander Paul Blumenstock, Canadian Forces; Major David J. Kennedy, Officer in Charge 2824 Royal Canadian Army Cadets, Cadet Organization Police School; David Carroll, Associate Executive Director, Daily Food Bank; David Edmison, Chairman, The Empire Club of Canada Community Service Committee, and Past President, The Empire Club of Canada; and Cindy Blakely, Award Winner, The Empire Club of Canada Community Service Award.

Introduction by Jo-Ann McArthur

The Honourable David C. Onley was appointed Ontario's twenty-eighth lieutenant-governor following a distinguished career as a broadcaster. His Honour has championed disability issues for many years and served as Chair of the Government of Ontario's Accessibility Standards Advisory Council and was an accessibility council member for the Skydome and the Air Canada Centre.

In his role as Lieutenant-Governor His Honour has adopted two specific causes—to promote accessibility as that which enables people to achieve their full potential; and to continue the Aboriginal youth literacy programs implemented by his predecessor and to twin-track the program to include a computer-literacy initiative.

His Honour was born in Midland, Ontario, and grew up in Scarborough. He is a best-selling author and is the recipient of the Rick Hansen Award of Excellence and the Courage to Come Back Award. He was inducted into the Terry Fox Hall of Fame and the Scarborough Walk of Fame and holds three honorary degrees.

Ladies and gentlemen, the Honourable David C. Onley, Lieutenant-Governor of Ontario.

David Onley

Ms. McArthur, honoured guests, ladies and gentlemen:

I am delighted to join you for this year's Empire Club Christmas Luncheon, one of the highlights on the Lieutenant-Governor's annual calendar, as I am sure it is on yours.

I am honoured to break bread in such good company as this year's head table guests. I use the word "good" advisedly, as they are all people who have done superbly admirable work in our community. Someone once said, "Christmas is not a date, it is a state of mind." Keeping a Christmas state of mind all year round seems to come naturally to them and the organizations they represent: Volunteer Optometric Services for Humanity, Ancop International, the Daily Food Bank, Free the Children, and the COPS Program.

I look forward to presenting this year's Empire Club Community Service Award a bit later to one of the table guests, Cindy Blakely, founder of the Holiday Angel

Program, Co-founder of New Circles, and President of the Caring Foundation, whose numerous charitable activities give new meaning to the word "multitasking."

I am also pleased to meet Lt. Commander Paul Blumenstock, representing the Canadian Forces, and Rev. Dr. John Niles from St. Andrew's United Church in Markham. I am delighted to see that so many of you have come out to support the Empire Club Christmas Luncheon today.

I suspect that we will all look back on 2008 with mixed feelings. But, in the spirit of the season that is upon us, I suggest that, if we "accentuate the positive, and eliminate the negative," as the Johnny Mercer classic says, perhaps we can set aside a few of the apocalyptic headlines of the recent past, at least until the New Year.

For me, the positive needs no accentuating, thanks to the many hundreds of good people I have met around our province over the past 12 months. They include the volunteers who do so much in their community through organizations like Rotary, March of Dimes, Easter Seals, the Royal Canadian Legion, and Pathways to Education, to name but a few.

They include the veterans, police officers, and fire fighters who marched to honour the memory of their fallen comrades; the military families who have handled with such courage the deployment of our soldiers to Afghanistan; and the municipalities and colleges throughout Ontario, where accessibility advisory committees are working so hard to make their environments accessible to all.

They also include the many young people to whom I had the pleasure of presenting awards for their success in working to eradicate racism, extraordinary literary creations, completing formidable tasks of community service and rigorous programs of study, devising innovative programs to save Canadian lives, and achieving prestigious research scholarships.

In personal terms, two events of this year stand out. The first happened in August, when the Governor-General called and asked me to represent her at the 2008 Paralympic Games in Beijing. My late father once told me, when an opportunity comes knocking, first say yes. Then say thank you. And then, keep your mouth shut. So I said "Yes, Your Excellency" and "thank you," and I said no more. It was a unique experience to be with some of Canada's most accomplished athletes like Chantal Petticlerc, who last week was selected for the Lou Marsh Award as Athlete of the Year. This was a wonderful postscript to the Beijing Games of 2008.

Our other especially noteworthy trip was to London, in the fall, where I was formally presented to the Queen as her newest representative in Ontario. She was most gracious, and told Ruth Ann and me of the great affection she and her family have for Canada and how much they love coming here. She also happened to be wearing a beautiful maple leaf brooch that apparently was one of her mother's favourite items of jewelry.

In focusing on the good things that have happened in 2008, I am inspired by a friend of mine, who gave up a lucrative career in IT to work at the Princess Margaret Hospital. He wrote to me recently, and I would like to read to you what he said: "I still feel quite blessed that I have the opportunity to serve in a small way in such an important establishment as the Princess Margaret Hospital. While material hardships in tough economic times are a large concern for many families, we all must keep the perspective that would oblige us to place life and health with loved ones ahead of all other considerations. Every day, I see people, some far too young, facing a life-and-death struggle. Our soldiers overseas face mortal danger for us every day. I, for one, will try to remember how truly blessed I am. I will endeavour to increase my awareness of what is really important in life. I will do my somewhat humble best to make a positive contribution in my life, my country, and my family."

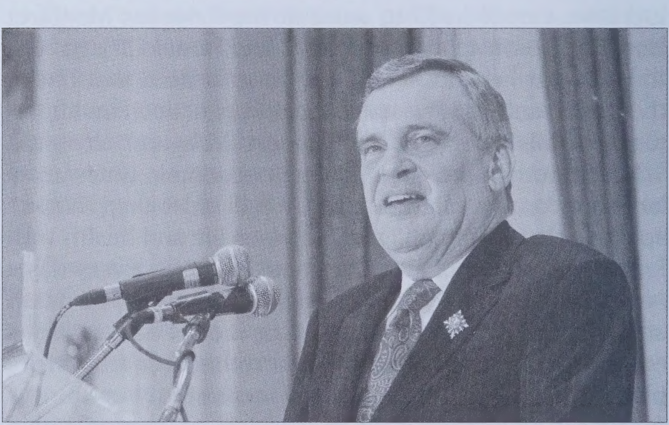
At this most special time of year, I can think of no better way to live up to the spirit of this blessed season than by celebrating family, good health, caring about one other and focusing on genuinely important events that make a profound difference in our lives.

In the name of the Queen, I wish you all a Merry Christmas, good holiday, and a happy New Year. I send heartfelt greetings to the men and women of Canada's military forces serving in Afghanistan and around the world, and to your families here at home. I want you to know that the thoughts and prayers of every Canadian are with you at this time, and especially with those who have lost loved ones.

Merci. Thank you.

The Empire Club was then entertained by the Regent Park School of Music choir.

The appreciation of the meeting was expressed by Gareth S. Seltzer, Past President, The Empire Club of Canada, and Chair, The Empire Club of Canada Christmas Luncheon.



The Hon. David C. Onley, Lieutenant-Governor of Ontario, and Honorary Vice-President, The Empire Club of Canada.

John Weir, Principal, Ensight, and Peter Varley, Vice-President, Public Affairs, Institute of Chartered Accountants of Ontario.

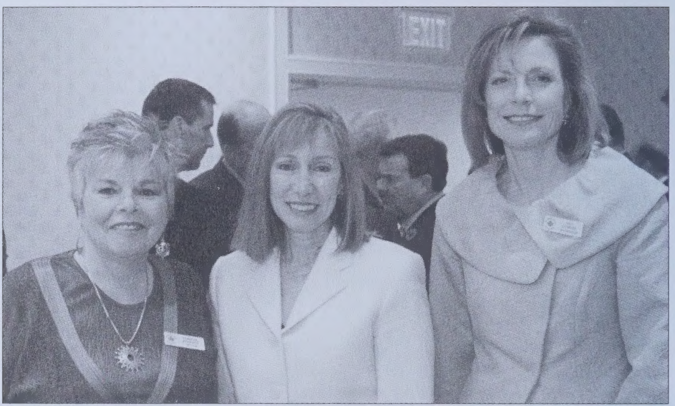
Rev. Bill Middleton, Minister, Armour Heights Presbyterian Church, Lauren Roberts, Student, North Toronto Collegiate Institute, Jocelyn Badovinac, Honorary Director and Archivist, The Empire Club of Canada, The Hon. Henry N. R. Jackman, Honorary Chairman, The Empire Life Insurance Company, Former Lieutenant-Governor of Ontario, and Past President, The Empire Club of Canada, and Edward Badovinac, Retired Professor, and Chairman and Director, The Empire Club of Canada.

Robin Sears, Principal, Navigator, and Director, The Empire Club of Canada, Jo-Ann McArthur, President, The Empire Club Canada, and President, Jo-Ann McArthur Strategies Inc., and Bart Mindszenthy, Past President, The Empire Club of Canada.

Leslie Wood, Director, Administration, McKinsey & Co., and Dr. Jayson Myers, President, Canadian Manufacturers & Exporters.

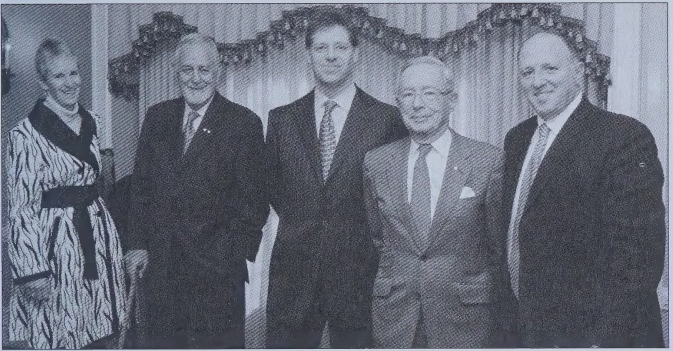
Kerry Adler, CEO, SkyPower Corp., Ed Badovinac, Director, The Empire Club of Canada, and John Walker, President and CEO, Transition Plus Sustainability Solutions Inc, and Director, The Empire Club of Canada.

Suzanne Kiraly, President, Canadian Standards Association, John W. Walker, President and CEO, Transition Plus Sustainability Solutions Inc., and Director, The Empire Club of Canada, and Dr. Jayson Myers, President, Canadian Manufacturers & Exporters, Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Canadian Trillium Foundation.



Roberta Jamieson, CEO, National Aboriginal Achievement Foundation, and Director, The Empire Club of Canada, Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Canadian Trillium Foundation, and Ann Curran, Vice-President, Corporate Relations, AIC Limited, and Past President, The Empire Club of Canada.

Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Canadian Trillium Foundation, Tony Gagliano, Executive Chairman and CEO, St. Joseph Communications, A. Charles Baillie, President, Art Gallery of Ontario Board of Trustees, and Alison Dalglish-Pottow, National Director of Development, Canadian Foundation for AIDS Research (CANFAR), and Director, The Canadian Club of Toronto.



Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada, Avie Bennett, Chairman, Art Gallery of Ontario Board of Trustees, Rupert Duchesne President and CEO, Groupe Aeroplan Inc., Michael M. Koerner, President, Canada Overseas Investments Ltd., and Tony Gagliano, Executive Chairman and CEO, St. Joseph Communications.

Jo-Ann McArthur, President, The Empire Club Canada, and Principal, fisheye, Rev. Vic Reigal, Honorary Chaplain, Christ Church, Brampton, Tony Gagliano, Executive Chairman and CEO, St. Joseph Communications, and Sarah Abuzinadah, Grade 12 Student, North Toronto Collegiate Institute.

Jo-Ann McArthur, President, The Empire Club Canada, and Principal, fisheye, and Daniel Jacobs, Grade 12 Student, North Toronto Collegiate Institute.

Dr. Jayson Myers, President, Canadian Manufacturers & Exporters, and Jo-Ann McArthur, President, The Empire Club Canada, and President, Jo-Ann McArthur Strategies Inc.

Phyllis Clark, Director, Edmonton Economic Development Corporation, and Ron Gilbertson, President and CEO, Edmonton Economic Development Corporation.

THE Fairmont

Ken Shaw, National Editor and Anchor, CTV News @ Six.

Joan Green, Former Toronto Director of Education, and Founding CEO, Ontario Education Quality and Accountability Office.

Ronald Goodall, Past President, The Empire Club of Canada (1987–88), Nona Macdonald, Past President, The Empire Club of Canada (1986–87), and Douglas Derry, Past President, The Empire Club of Canada (1983–84).

Mike D'Abramo Director, Research and Strategy, Youthography, Joan Green, Former Toronto Director of Education, and Founding CEO, Ontario Education Quality and Accountability Office, Jo-Ann McArthur, President, The Empire Club Canada, and Principal, fisheye, Lynda Palazzi, Former Director, Membership Services, Ontario College of Teachers, and Ken Shaw, National Editor and Anchor, CTV News @ Six.

Thomas S. Caldwell, Chairman and CEO, Caldwell Securities Ltd., and C. Ross Healy, Chairman and CEO, Strategic Analysis Corporation.

Tony van Straubenzee, Past President, The Empire Club of Canada (1988–89), Harry Seymour, Past President, The Empire Club of Canada (1985–86), Larry Stout, Honorary Director, The Empire Club of Canada, and David Edmison, Past President, The Empire Club of Canada (1995–96).

Jo-Ann McArthur, President, The Empire Club of Canada, Heather Ferguson, President, The Hearing Foundation of Canada, and Director, The Empire Club of Canada, and Roberta Jamieson, CEO, National Aboriginal Achievement Foundation, and Director, The Empire Club of Canada.

The Rt. Rev. Colin R. Johnson, Bishop, The Anglican Diocese of Toronto, and Honorary Chaplain, The Empire Club of Canada, and David Edmison, Past President, The Empire Club of Canada (1995–96).

R. Bredin Stapells, Past President, The Empire Club of Canada (1966–67), The Rev. Dr. John Niles, Past President, The Empire Club of Canada (2006–07), David Goodwin, Insurance Representative, Ontario East Insurance Agency Ltd., and Director, The Empire Club of Canada, and Doug Morris, President, Morris Glass and Windows/Humidity Solutions, and Director, The Empire Club of Canada.

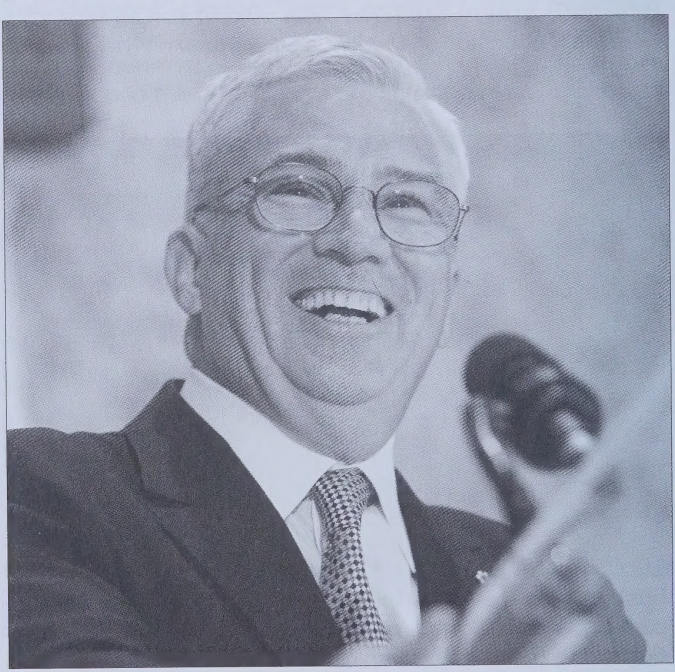
General Walt Natynczyk, CMM, MSC, CD, Chief of the Defence Staff, Heather C. Devine, Partner, Gowling LaFleur Henderson LLP, and Director, The Empire Club of Canada, and Doug Morris, President, Morris Glass and Windows/Humidity Solutions, and Director, The Empire Club of Canada.

Mike D'Abramo, Director, Research and Strategy, Youthography.

Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye, and The Hon. David C. Onley, OOnt, Lieutenant-Governor of Ontario, and Honorary Vice-President, The Empire Club of Canada.

Gareth Seltzer, Past President, The Empire Club of Canada, Tony van Straubenzee, Past President, The Empire Club of Canada, Ed Badovinac, Director, The Empire Club of Canada, and Larry Stout, Honorary Director, The Empire Club of Canada.

Hubert T. Lacroix, President and CEO, CBC/Radio-Canada, and Gilles Hebert, Senior Vice-President, Facility Management, SNC-Lavalin ProFac Inc.



Thomas S. Caldwell, Chairman and CEO, Caldwell Securities Ltd.

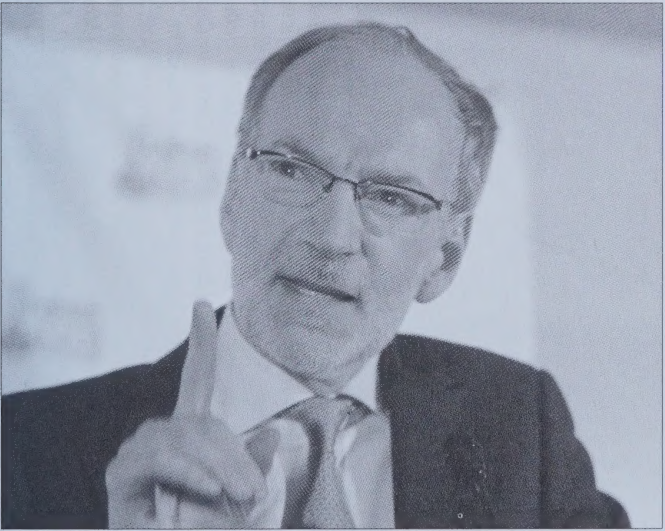
Heather Hiscox, Network Reporter, CBC News (Television), Spencer Lanthier, Corporate Director, TMX Group Inc., Torstar Inc., Gerdau Ameristeel Inc., Biovail Inc., Zarlink Semiconductor, RONA Inc. and Ellis Don Inc., and David P. Harris, Managing Partner, Egon Zehnder International Inc.

Margaret M. Samuel, President, CEO and Portfolio Manager, Enriched Investing Incorporated, and Director, The Empire Club of Canada, and Bart Mindszenthy, Past President, The Empire Club of Canada.

Matt Hornburg, Partner and Producer, Marble Media Inc., and Chris Nguyen, Founder, Jobloft.com, and Vice-President, Product on Targetjobs Inc.

Rev. Michael Clarke, Associate Priest, Christ Church, Brampton, and Charles S. Coffey Chair, Canadian Centre for Diversity, and Director, The Empire Club of Canada.

Sheldon Levy, President and Vice-Chancellor, Ryerson University, and Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye.



Hubert T. Lacroix. President and CEO, CBC/Radio-Canada.

Tim Reid, Director, Business Development ZED Financial Partners, and Director, The Empire Club of Canada, Fitzroy Thompson, Grade 12 Student, Eastern Commerce Collegiate Institute, Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada, Gilles Hebert, Senior Vice-President, Facility Management, SNC-Lavalin ProFac Inc., Michael MacMillan, President, Common Ground Capital Inc., The Rev. Dr. John Niles Senior Minister, St. Andrew's United Church, Markham, and Past President, The Empire Club of Canada, Charles Cutts President and CEO, The Corporation of Massey Hall and Roy Thomson Hall, Spencer Lanthier, Corporate Director, TMX Group Inc., Torstar Inc., Gerdau Ameristeel Inc., Biovail Inc, Zarlink Semiconductor, RONA Inc. and Ellis Don Inc., Heather Hiscox Network Reporter, CBC News (Television), David P. Harris, Managing Partner, Egon Zehnder International Inc., Edward J. Waitzer, Partner, Stikeman Elliott LLP, Trina McQueen, Professor, Broadcast Management, Schulich School of Business, York University, and Board of Directors Member, CBC/Radio-Canada, Jo-Ann McArthur President, The Empire Club of Canada, and Principal, fisheye, and Hubert T. Lacroix President and CEO, CBC/Radio-Canada.

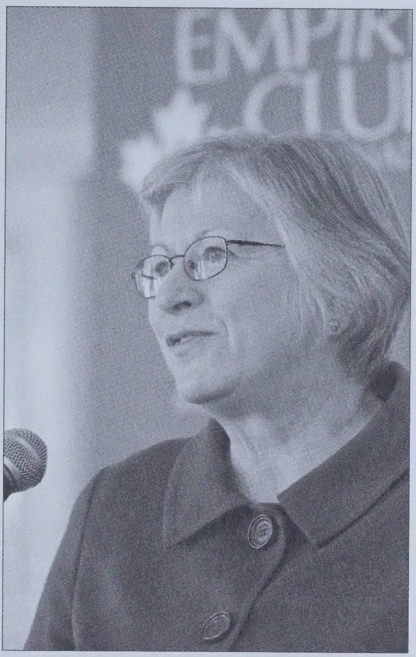
Natasha Selvaraj, Grade 12 Student, York Mills Collegiate Institute, Charles S. Coffey, Chair, Canadian Centre for Diversity, and Director, The Empire Club of Canada, and Jo-Ann McArthur President, The Empire Club of Canada, and Principal, fisheye.

Sheila Fraser, Auditor General of Canada, Roberta Jamieson, CEO, National Aboriginal Achievement Foundation, and Director, The Empire Club of Canada, and Jim McCarter, Auditor General, Province of Ontario.

Andrea Watt, Grade 12 student, North Toronto Collegiate Institute, and Bonnie Lysyk, Vice-President and Chief Internal Auditor, OMERS.

THE EMPIRE CLUB OF CANADA

Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye, and Aubrey Dan, President, Dancap Productions Inc.



Sheila Fraser, Auditor General of Canada.

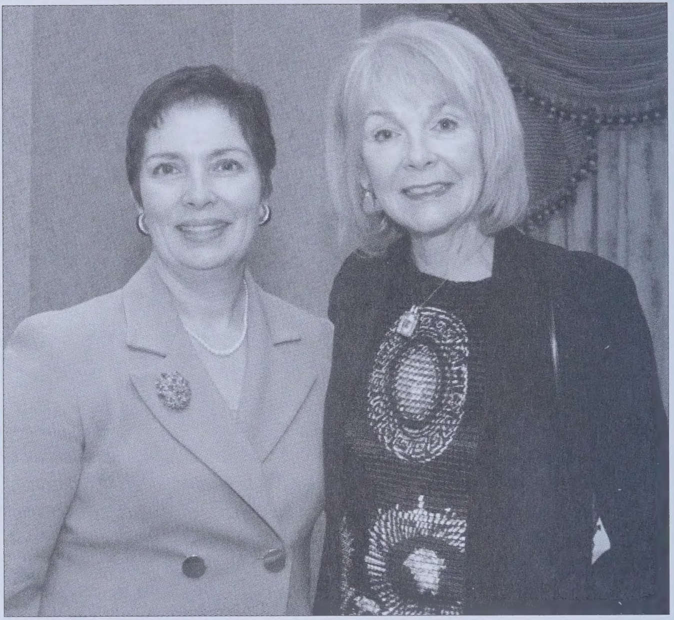
Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Ontario Trillium Foundation, Valerie Pringle, Broadcaster, Margaret Trudeau, and Jo-Ann McArthur President, The Empire Club of Canada, and Principal, fisheye.

Margaret Trudeau.

Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada, and Howard Brown, President, Brown & Cohen Communications & Public Affairs Inc, and Director, The Canadian Club of Toronto.

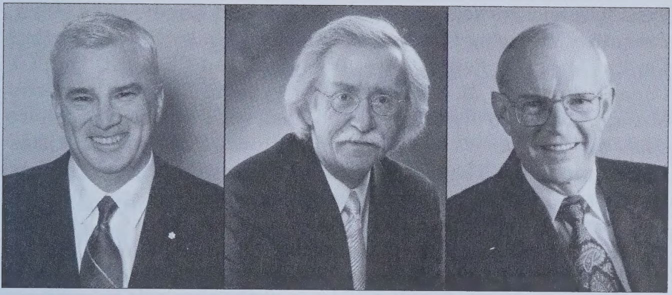
Rev. Robert J. Payton, Honorary Assistant, Christ Church, Brampton, and David Goodwin, Insurance Representative, Ontario East Insurance Agency Ltd, Director, The Empire Club of Canada.

Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye, Gail Roberts, Partner, Mindszenthy & Roberts Communications Counsel, and Boyd Neil, Senior Vice-President, Corporate Communications, Hill & Knowlton Canada.



Heather Ferguson, President, The Hearing Foundation of Canada, and Director, The Empire Club of Canada, and Lynda Palazzi, Former Director, Membership Services, Ontario College of Teachers.

Larry Stout, Broadcaster, Journalist, and Honorary Director, The Empire Club of Canada.



January 8, 2009

Thomas S. Caldwell

Chairman and CEO, Caldwell Securities Ltd.

Nick Barisheff

President and CEO, Bullion Management Group Inc.

C. Ross Healy

Chairman and CEO, Strategic Analysis Corporation

ANNUAL INVESTMENT OUTLOOK 2009

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

William F. White, President, IBK Capital Corp., and Director, The Empire Club of Canada; Peter Gibson, Vice-Chairman, Desjardins Securities; Bob Barootes, Vice-President, Institutional Sales, Jennings Capital Inc.; Brian Prill, Associate, McLean & Kerr LLP; Tony Andrews, President, Prospectors & Developers Association of Canada; Robert Cook, President, CNSX; Christine Young, CFA, Vice-President, Institutional Sales, ICICI Wealth Management Inc.; Eugene C. McBurney, Chairman, GMP Securities LP; Jay Smith, First Vice-

President and Portfolio Manager, CIBC Wood Gundy; Mike Miller, Executive Managing Director and Head of Equity Products, BMO Capital Markets; Peter Aceto, President and CEO, ING DIRECT Canada; Margaret M. Samuel, CFA, President, CEO and Portfolio Manager, Enriched Investing Incorporated, and Director, The Empire Club of Canada; W. David Wilson, Chair, Ontario Securities Commission; Nick Thadaney, CEO, ITG Canada Corp.; David Brown, Partner, WeirFoulds LLP; Peter Jarvis, Executive Director, Toronto CFA Society; Terry Campbell, Vice-President, Policy, Canadian Bankers Association; Morley W. Salmon, Chairman, Limited Market Dealers Association of Canada; Reverend Ken Coffield, Chaplain, King-Bay Chaplaincy; and Thomas Kloet, CEO, TMX Group.

Introduction by Jo-Ann McArthur

Welcome to our 15th Annual Investment Outlook lunch. Our first lunch was hosted by John Campion and he told the story of the Dutch tulip in 1630 that had a valuation of $70,000 in equivalent 1995 currency as a way of illustrating what John Kenneth Galbraith called "financial euphoria" or "speculation."

Today we are selling no tulips! To guide us through these turbulent times we have three industry leaders. I will introduce them separately and they will give you a 10-minute overview. At the end, if time allows, we will open it up to questions from the floor and from our TV audience.

First up is Thomas Caldwell, Chair of Caldwell Financial, a diversified investment company with subsidiary organizations providing investment and insurance services to a broad spectrum of investors throughout North America and around the world. He is recognized as one of the world's foremost investors in securities exchanges.

Thomas Caldwell

I think to understand the future you have to understand the present and the immediate past and I'll tell you a story. I was in New York about a month ago. I was in the elevator at the University Club and an elderly lady pointed to me and said, "You should be ashamed of yourself." Of course at my age I have a lot to be ashamed about, but I didn't know what specifically she had in mind. She said, "You're the ones who caused this problem," because I had a New York Stock Exchange pin on. I said, “There are lots of villains. We are just one group. There is a whole array of them.”

What has been interesting is that we are living through history and really an interesting part of it. We are seeing the convergence of a whole array of human, corporate, governmental, regulatory failings all meeting at one point. Our reactions and our government’s reactions will define the future of the economy and the markets in which we live.

One of the great things about our American cousins is that they will dive in and deal with the problem. When Japan went through this 20 years ago, everybody sat around and pretended it didn’t exist. Americans want this over by the next commercial break. They are going to deal with this thing and that is a good thing.

Now, admittedly, there is no playbook. You have got to hand it to Paulson. He’s reacting and clearly he was spooked. There are going to be arrows, there are going to be unintended consequences, but the first task—stabilizing the financial system—was correct.

By the way, just so we have a qualifier, all of this is my best guess today, in case you think the Oracle of Delphi is speaking here. I was just joking when I said, “The best thing about humility is if you don’t seek it stick around. It will come.”

As far as the financial system goes, in my opinion I think they have more or less stabilized it. I think it’s done. The great irony about all of this is we are creating more credit to deal with the misuse of credit. It is like drinking yourself sober or spending yourself solvent. But again, leaving the irony aside, the one thing we knew when they baled out Bear Stearns was that they were going to deal with it.

The one ingredient still missing is the ingredient of trust or confidence, the key thing. We are pummelled day in and day out by the negativity, and, of course, we have this Bernie Madoff thing that has just blown up. We have

India blowing up. The only good news I heard today about Bernie Madoff was that Eliot Spitzer and Marc Rich were invested with him. So there is always an upside. But clearly we have ethical concerns compounding stupidity. The good part of this is we are cleansing the financial system. Money is available but nobody wants to borrow any money. People don't have the confidence and they are paying down loans. So that means, aside from this monetary flushing the system up, you now get into the fiscal thing. President-elect Obama gave a speech today. They are working at roughly $1.2 trillion in budget deficits in the United States. Just to give you a rough idea so you can understand the size of money, sixty-four billion is the number of seconds since the first Christmas. If you were counting one-dollar bills, you would be getting $64 billion right about now. 1.2 trillion in time is the number of seconds since we first discovered fire. That's 20,000 years ago or thereabouts. There are some good parts to Obama's plan and particularly write-offs. We can go back five years. This is going to result in massive write-downs right across corporate America. It is going to end up in clean balance sheets. The big problem is going to be the profit-and-loss statements going into next year.

I think this measure will add significantly to corporate cash positions. They are trying to get money into corporate hands. Consumers have already had a massive tax cut in gasoline prices. They don't realize it. That's added about $20 per week to the average American family in the United States. This is a massive tax cut and there are going to be more coming. The concern is monetary inflation. Demand inflation is excess demand from business but it doesn't exist. Monetary inflation is a combination of the amount of money in circulation and its velocity or how fast it is changing hands. There is no velocity, but stick around. It will come just like humility.

The key thing in managing money is your asset mix. That's why these wrap accounts are problematic because you don't change asset mix. For example, if you were really, really smart, you would have had at the beginning of 2007 100 per cent of your portfolio in bonds. Now is the time to switch gears. Your asset mix now should have, in my opinion, some equities in it.

Let's talk about the bond market first very quickly. In the past we under-priced risk. People bought these subprime packages. That's where you put bits of garbage together into a big garbage bag and it becomes triple A. Anyway they paid 19 basis points; that's a fifth of one per cent more to get the garbage bag versus U.S. treasuries. So we under-priced risk. Now we are overpricing safety. The yields on government bonds are minimal. There is going to be lots of financing required. One of my bond-trading friends, Jimmy Duncan, said, "The bond crop never fails." So there are going to be lots around and rates will be going up sometime in 2009. So if you are going to park money you want to stay in the shorter end.

In the equity market I think there are some really exciting opportunities and there are some really exciting traps for you. Value investing, and that's my bag, is really sifting through the ashes and trying to find stuff of value, but you cannot ignore market sentiment. I think one of the good things is investor confidence, the key ingredient that usually precedes events. The other thing I have observed during my years in the securities industry is that bull markets ignore bad news. Bear markets ignore good news. Looking at the tone of this market in the last little while with the exception of yesterday, I think markets are starting to accommodate, if not ignore, bad news. It is similar to when a friend calls and complains about his health and his family. After a while you stop listening to him. That's what the markets have done. The markets have stopped listening to the grumblers and the complainers.

My point is the market has started to ignore the bad news. I think we are in a bottoming process. I think we are going through a period of very, very bad news and I think the market is accommodating this. I like to keep things simple. I look at yields. I look at dividend yields versus bond yields and the safety of those dividends.

One area that I think is of interest is the financial-services area. It is one of the most damaged sectors. The major Canadian banks are the least damaged of the world banks, so therefore have a relative advantage. You are looking at yields between 51/2 and 9 per cent and people say, "Oh what about the safety of the dividend yields?" It is really tacky to do a financing and cut your dividend. All the banks are essentially evil, but I mean even we wouldn't do that. Banks make money from money, and there is going to be lots of it sloshing around. And there's going to be bad news because everybody wants bad assets off their balance sheets. There are going to be write-offs and who knows, there may even be some merger opportunities coming with the Canadian banks here in Canada. I like the major Canadian bank sector. I think it's a very interesting group to be involved in.

The other areas I like are exchanges obviously. The two exchanges I like by the way are the New York Stock Exchange and the Toronto Stock Exchange. All this junk we are going through speaks of a lack of transparency. Regulators want transparency. That speaks to capital markets, stock market environments. Yes they are going to be squeezed in terms of volumes and margins but the volumes will return. You make no mistake about that. You have declining cost structures. You have product development initiatives, a lot more products coming out. This is an agency business. They don't have bad loans on the sheets, and they have really good dividend yields, which are well covered. These are pull loads linked to economic activity so it is a great way to play the financial services and to participate in the economy if, as, and when you think the economy is going to pick up.

There's a multiplicity of revenue sources, there's listings, there's data, there's trading, all kinds of stuff, so if you feel the stock prices will eventually improve then owning an exchange in my opinion is better than owning an ETF because as trading volumes and listings and data increase, their revenues increase proportionately.

In the Canadian market I would look at the big Canadian banks, and I would look at exchanges. U.S. dollar inflation is coming back. Interest rates may support the U.S. dollar for a little while but there is going to be some downward pressure here and that speaks to gold. Nick Barisheff is the man on gold, so I'm not even going near his turf, but that's one area that would be very much of interest. Health-care consumer products, the must-have goods such as toothpaste or whatever, are the ones that I think are going to be of interest in the U.S. market. Now if you combine some of this with emerging market recovery in later 2009, it would be wise to speak to somebody on commodity and energy stocks.

Short-term markets are a guess. Long-term markets are not a guess. One to two years from now we will look back on this as a time of great opportunity. My brother came into the securities business in 1979 and I came into the business in 1964 and he looked at the charts and he said, "Why wouldn't you buy all these stocks in 1974?" I tried to get my hands around his chubby neck to explain that you had to be there.

I think we have to look past this current mess. The savings and loans precedent is the one I would use. There is only one thing you have to know about the savings and loans crisis back in the nineties—all the money that was made coming out of it.

My big concern as we go into this year is the potential of over-reaction by the U.S. regulators coming out with a hodgepodge. Remember Sarbanes-Oxley and all that nonsense. It was negative. In fact, it shifted the focus to governance as opposed to risk for boards of directors. My concern is we get a hodgepodge of regulations as opposed to a whole rewrite of a new, smoother, easier, better system that can be really productive for us.

The bottom line. If I take it all into account, my view is that equity markets should increase somewhere between 10 to even 15 per cent in 2009. If you add that to dividend yields, I believe this will be a positive year. Thank you.

Jo-Ann McArthur

Thank you Thomas. Next we have Nick Barisheff, President and CEO of Bullion Management Group, where for the past 10 years he has focused on the world of precious metals and the advantages of investing in gold, silver, and platinum bullion, building a reputation as one of Canada's leading precious metals experts.

Nick Barisheff

Today's topic at this 15th Annual Investment Outlook is "Making Money in Troubled Times." This may be quite a challenge in 2009 if investors continue to do what they've always done. However, there is always a bull market somewhere and making money in troubled times is possible if you correctly identify the dominant trends and adjust your portfolios accordingly.

Right now, many investors can relate to Will Rogers, who famously said, "I'm not so much interested in the return on my money as I am the return of my capital."

For most investors, 2008 was a painful year with many portfolios experiencing capital losses of 30–70 per cent.

In 2009, precious metals will not only continue to preserve capital but increase in value, as more investors continue to seek a safe haven from the financial crisis that we experienced in 2008.

A review of 2008 is necessary in order to better understand what lies ahead in 2009.

The year 2008 was the year of:

- Massive government bailouts;
- Increasing money supply.

While I have written about the growing imbalances and vulnerabilities for a number of years, and last year's annual report warned investors to "Batten Down the Hatches," even I was surprised by the depth and the speed with which the global financial system unravelled. Unfortunately, there is not likely to be much improvement in 2009.

Yet throughout the financial turmoil of the past year, gold preserved investor wealth and outperformed all other asset classes except bonds. Over the past five years, gold has been the best-performing asset.

To understand why this is the case, it is crucial to realize that gold is primarily a monetary asset, and not simply a commodity like copper or zinc. That's why central banks hold over 29,000 tonnes as part of their currency reserves. That's why the turnover of physical bullion in London is over $20 billion a day. That's why precious metals trade on the currency desks of most banks rather than the commodity desks. That's why gold should be compared to other currencies—not commodities.

At an increase of 5 per cent in U.S. dollars for 2008, gold performed extremely well, considering the Dow lost 38 per cent. Gold's performance was somewhat muted in U.S. dollars, largely because of the extraordinary demand for dollars caused by deleveraging.

Gold's performance against other major currencies was even more pronounced, as global equity markets lost between 30–70 per cent.

Gold rose:

- 9 per cent in euros;
- 45 per cent in British pounds;
- 25 per cent in Russian rubles; and
- 38 per cent in Brazilian reals.

Gold increased by 31 per cent in Canadian dollars, while the Toronto Stock Exchange lost 35 per cent of its value.

Only the Japanese yen rose against gold, due to the exceptional demand for yen produced by the unwinding of the Yen Carry Trade.

Now let's take a look at some of the other factors in 2008:

- The U.S. government and the Federal Reserve spent $3.2 trillion in 2008 bailing out institutions that were "too big to fail," and committed another $5 trillion. Total amount: over $8 trillion.
- $8 trillion is nearly twice the combined cost of the space program, the Vietnam War, the invasion of Iraq, the Korean War and the savings and loan crisis.
- In contrast, the bailout of Long Term Capital Management in 1998 amounted to a "mere" $3.6 billion, and Worldcom's bankruptcy was $103 billion.

The end result will be inflation, not just in the U.S. but in the U.K., Europe, China, Russia and Canada, all of which have adopted similar bailout programs.

We can only hope that these bailouts will work and not morph into stagflation or hyperinflation.

Rising inflation is already on the cards. In 1971, when the U.S. abandoned the gold standard, total M3 money supply stood at $800 billion. Since then, the Federal Reserve has increased the money supply well in excess of GDP growth.

In 1987, Alan Greenspan opened the floodgates and expanded the money supply from $3.5 trillion to $10 trillion—more than all of the previous Fed chairmen combined. Ben Bernanke surpassed Alan Greenspan's record by adding another $4 trillion in the last three years.

While there's been much talk about deflation, the increases in the money supply we are witnessing clearly contradict this view. As Milton Friedman said, "Inflation is always and everywhere a monetary phenomenon. As the government increases the rate at which it prints money, the result is too much money chasing too few goods and services."

While the rate of M3 money supply increases has declined from 16 per cent at the beginning of 2008 to 9 per cent currently, money supply has still increased. For deflation to occur, money supply must actually decrease, not simply slow the rate of increase.

In addition to the fact that money supply data points toward inflation, we have Ben Bernanke as Fed chairman. Deflation is unlikely to occur under Bernanke's watch. He made it clear in his PhD thesis, and in recent speeches, that he will avoid deflation by using every tool at the Fed's disposal to create as much money as it takes.

The resulting growth in money supply will ultimately lead to a declining U.S. dollar and higher inflation, resulting in higher gold prices.

Looking ahead to 2009, it seems many people believe the crash of 2008 was just a correction, and that real estate and equity markets will soon recover.

Current data does not support this argument.

While we all like to be optimistic, as investors it is critical to be realistic and adjust to changing circumstances.

We can hope that real estate prices and the stock market will recover.

We can hope that job losses will stop, and that consumers will start spending again and the economy will recover.

Unfortunately, this is just wishful thinking.

Until consumers feel confident about their jobs, the value of their houses and the safety of their savings, they will curtail spending and the economy cannot improve.

During the past 25 years we have experienced the longest equity bull market in history. However, markets move in long cycles, and the next 20 years are unlikely to be a continuation of the past. Warren Buffett noted that the stock market "went exactly nowhere" for 17 years from the end of 1964 to the end of 1981.

He forgot to mention that on an inflation-adjusted basis, 1964 investors who held for the long term didn't break even until 1995!

During this same time period, however, precious metals soared:

- Gold rose 2,300 per cent;
- Silver rose 2,400 per cent; and
- Platinum rose 900 per cent.

For investors, the takeaway from all this is that while a "buy and hold" strategy may work during a bull market, it doesn't work during a bear market.

The crash of 2008 is not a simple correction, as the financial imbalances that broke open last year have been building for decades and are unlikely to correct in a single year.

In 2009, the six-year upward trend for precious metals should continue, while real estate, equity markets and even bonds will likely decline. One factor is the massive imbalance between financial assets and above-ground bullion.

Today, annual gold production is about 2,500 tonnes, a decrease of 200 tonnes from its peak in 2006. This represents an annual increase in the global supply of above-ground gold of about $75 billion.

Contrast this with the estimated $10 trillion increase in global money supply expected to fund the bailout and stimulus programs. This disparity in growth cannot continue without a significant price adjustment in gold.

At the end of 2007, privately held gold bullion amounted to less than $650 billion, and the total amount of above-ground silver and platinum bullion was less than $5 billion. Put together, this is less than 1/2 per cent of the estimated $187 trillion of global financial assets.

Yet even after six years of gains, most portfolios have no allocation to precious metals whatsoever. As a result, most portfolios are neither balanced nor diversified. This means investors are not protected from inflation, or from currency or market declines.

Equally important, most portfolios are not aligned with the current investment trend, which has been moving away from paper assets towards hard assets like precious metals for the past six years.

As more investors come to realize this, and adjust their portfolios accordingly, even a small shift away from the $187 trillion of financial assets to precious metals will result in dramatic price increases, and may ultimately lead to shortages of even the largest bullion bars. Last year investors experienced shortages of the smaller bullion wafers and coins, with premiums running as high as 10–40 per cent for gold and 30–100 per cent for silver.

In addition, China, Russia and the OPEC countries are considering substantial increases to their gold allocations in order to diversify their currency risk. Any reallocation by these countries will drive prices much higher.

Citibank predicts gold soaring to $2,000 an ounce sometime in 2009.

Ultimately, the exact number is very hard to determine—and it doesn't really matter.

Over the next few years precious metals will continue to outperform real estate and equities, and probably bonds. Precious metals will continue to hold their purchasing power whether we experience deflation, inflation, stagflation or hyperinflation.

During these uncertain times, the question investors should be asking is, "What percentage of my portfolio should be in precious metals bullion?"

Ibbotson Associates recommends between 7–16 per cent just for proper diversification, while Wainwright Economics recommends between 18–47 per cent to protect portfolios against inflation.

To make money in 2009, you will likely need an even higher allocation than those recommended by Ibbotson and Wainwright. Furthermore, given our experience in 2008, it is critical that investors hold actual bullion and not a paper proxy or derivative. Physical bullion is the only asset that is not someone else's liability.

The single point to remember from these comments is that, no matter what your allocation to bullion turns out to be, it should certainly not be zero.

In order to adapt to current global changes, investors need to rethink their investment strategy and their portfolio allocations, because the next 20 years are going to be completely unlike the past 20.

Thank you.

Jo-Ann McArthur

Thank you Nick. Batting third is Ross Healy, Chair and CEO of Strategic Analysis Corporation, a capital markets research firm. Ross has just been named "3-Star Analyst of the Year" for 2008 for being the top stock picker by Business Edge in Calgary.

Ross Healy

My wife was in the local branch of our bank a little while ago when she noticed that the clock was missing from the wall. She asked the teller where it had gone and he told her that all the banks were taking their clocks out. Without a pause, she replied, "Oh, that's just like the casinos." Given what's been going on in the global financial system, we're wondering when they are going to start to cover the windows as well.

My company was originally called Solvency Analysis Corporation and we are first and foremost balance sheet analysts. We use the balance sheet extensively, as it provides us with "inside information" that most people ignore. I say that because U.S. consultant, Woody Brock, made a survey of research analysts and money managers to find out what company documents they use to make decisions. He found that only 5 per cent of the street analysts actually use the balance sheet, and fewer than 1 per cent of money managers refer to that document at all.

The methodology that we use describes and measures how the balance sheet becomes valued by the stock market. We begin with an overlay of credit analysis, or "solvency analysis," a term which I prefer, as this offers strong inferences of probable future trends.

We add our own determination of the Fair Market Value of a company, as well as what we term "structural pricing levels." Many of our "forecasts" are not forecasts at all, but frequently tend to be straight-forward readings of developments already clearly in motion.

For example, in the documentation of the proposed BCE leveraged buyout, there was a clause that required that the resulting balance sheet pass a solvency test to protect the bond holders. Using BCE's balance sheet, we ran our own solvency test and a huge red flag went up. We were concerned—and said so! Later, two of the major lenders, Citigroup and Royal Bank of Scotland, experienced difficulties and our unqualified recommendation was to sell. When KPMG issued their report, it came as no surprise to us.

But now the stock has collapsed to attractive valuation levels close to its book value. With the restored dividend, this should prove to be a solid, defensive holding. The huge decline of bank stock prices has shocked many people. Personally, I thought it was inevitable. We have balance sheet, credit analysis, and price data for the Canadian banks going back 58 years and there is a very clear valuation range. By late 2007, they were at extreme highs and had run out of any visible upside potential as we measure it.

In our experience, markets have a memory and large cap stock valuations tend to remain within their historic limits. In our analytical view, bank stock prices were likely to decline.

As the U.S. credit problems in 2007 spread, Canadian bank stocks were highly likely to suffer, as they always do in periods of credit stress, even though our solvency work shows that they are fundamentally sound. We warned our clients to avoid bank stocks and anyone else who would listen, including viewers of BNN and CBC Television. You all know what happened. Again, this insight was based on solid historical precedence and clearly visible trends.

For those who are wondering what the banks look like now, you will not be surprised when I tell you that they are becoming quite cheap again. The Commerce, the Bank of Montreal, and the National have come closest to their usual valuation lows, with the others slowly falling into line. The credit situation is still in a bad way out there but I think that investors may slowly accumulate the cheaper banks. Given our market outlook, however, I would not look at my monthly brokerage statement too closely for a while.

Speaking of the market having a memory, the Canadian Oil and Gas Index has fallen to its average lows of the past 28 years. Investors now fear this sector. Just as there were forecasts that oil was going to $200 a barrel earlier this year, now we see projections of $25 oil! Choosing a cheap oil stock or two makes increasingly good sense. Among others, we like PetroCan, as it is better value than most other oil stocks.

Turning to our market outlook, let me start by observing that the U.S. as a nation has reached what we at Strategic Analysis term a "second-order insolvency" condition as far as its GDP debt ratio is concerned. As price tends to follow solvency, so our "forecast" about the direction of the U.S. dollar has been down for some years. At US$1.09, however, we did think that things were overdone, and withdrew our dollar hedge recommendation.

Very recent developments suggest that the U.S. dollar has merely been in a rally in a general downtrend.

When corporations reach that particular solvency ratio, their banks and creditors tend to put them out of business by withdrawing all new credit. You don't want to be in those companies. We did not want to be in the U.S. stock market—and hence any stock market for that matter—when the overall U.S. solvency hit that key level.

What happened—and in the quarter that the U.S. reached that second-order insolvency condition—is that the entire credit system "suddenly" seized up. Right on time, as it were.

By then, our clients had sizeable cash holdings, and we had recommended a short position against the market using those wonderful new Horizon BetaPro bear exchange traded funds which permit you to be short without the attendant trouble that short selling has previously entailed. They are eligible for RRSPs, and when used prudently, make portfolio management in perilous times much less risky.

In 2008, our advisory portfolio actually enjoyed a modest double-digit rate of return, and in the process has exceeded the TSX Index return by a very substantial margin.

The real problem is, what now?

We do have one compelling guidepost, that of Japan, which became identically insolvent post-1995–6. We are just finishing a study of the Japanese and American national insolvencies and it clearly shows that if the U.S. does not take firm actions to resolve its financial issues, the American economy will also be highly prone to stagnation, or worse.

When the problem is debt, the solution is not more debt.

And what are the Americans doing, just as the Japanese did before them? They are trying to push the credit-generating machine as hard as possible. I can appreciate the political sentiment that underlies this effort, but the road to Hell is paved not only with good intentions, but also with too much debt, as Japan has discovered.

If the U.S. stays the course being pursued by Fed Chairman, Ben Bernanke, the U.S. stock market is likely to sink slowly downwards over time. Bernanke claims to understand what the Japanese did wrong, yet is dead set on following their example.

As the private sector is pressed down under the dead weight of ever-compounding debt, the U.S. federal government and the Federal Reserve Board may try to take over the financing of American activity, just as the Japanese government did—and is still doing.

The definition of insanity is doing the same thing over and over in hopes of a different outcome.

What lies ahead in 2009? It is likely to be a difficult year. U.S. consumers have nothing left on their balance sheets to fall back on. Home prices and stock holdings have been badly mauled but all the debt is still there. Banks are still hesitant to lend, and rightly so.

Corporate earnings are likely to decline not recover, but this is not reflected in the sanguine earnings forecast numbers today. According to U.S. economist Gary Shilling, earnings may be about half what they were in 2008. If so, the stock market today has a recession built into it, but not the recession that it is likely to have.

Against this background, we do like some gold exposure in portfolios. Personally, my own preference is Barrick Gold as it is one of the few gold miners that really knows how to conduct a business.

As for the overall market, we should have a decent rally in the early part of the year, as the market digests what has happened already, and what the authorities are doing to try to turn things around, but before we find out that the Fed actions aren't working as expected.

The market is then likely to sink back into a pit of despondency. I suspect that there will be further opportunities for those BetaPro bear ETFs to come—and go—in your portfolios.

In the longer term, the overall growth rate of the U.S. will slow down from the debt-driven high-growth period from 1985 through 2007. U.S. household and bank balance sheets have to be rebuilt and that will take a lot of steam out of the U.S. economy unless it is done with determination and dispatch.

Unfortunately, President-elect Barak Obama and Ben Bernanke are desperately trying to forestall this event, even though common sense should tell them that escaping insolvency lifts the burden of the bondage of debt and frees the creative instincts again.

There are several implications for portfolio management in the future.

We are likely to see the return of the normal business cycle, and market returns will therefore be lower as overall growth slows. Long-term "buy and hold" strategies will not tend to work particularly well. There will be growth stocks and even periods of growth, but not for the same long periods as we have enjoyed for many years. Dividend income will again be a large part of overall returns. The average mutual fund will lose its appeal over the next few years. Investors will look back and see that markets have not advanced very far over the course of a full cycle or two, but fund returns have been hampered by the high fees often being charged.

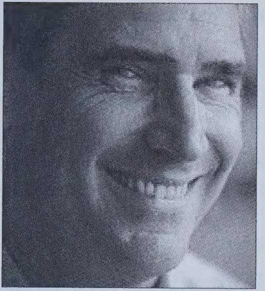
On the positive side, well-managed hedge funds that actually do hedge, will succeed, and good long/short funds will work if they are managed using sound valuation procedures.

Otherwise, trading among values and timing markets will be the way to "beat the index," just as it was during the first 17 years of my own career, a period that saw a bear market—defined as a decline of 20 per cent or more—roughly every two years.

Those investors who adjust their tactics early will do well, and those that do not should probably run to GICs right now and get it over with.

The appreciation of the meeting was expressed by William F. White, President, IBK Capital Corp., and Director, The Empire Club of Canada.

Thomas S. Caldwell, Chairman and CEO, Caldwell Securities Ltd., Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye, C. Ross Healy, Chairman and CEO, Strategic Analysis Corporation, and Nick Barisheff, President and CEO, Bullion Management Group Inc.



January 23, 2009

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Michael Ignatieff

Leader of the Official Opposition and Leader of the Liberal Party of Canada

MOVING FORWARD FROM HARDSHIP TO HOPE

Chairman: **Helen Burstyn**
President, The Canadian Club of Toronto

Head Table Guests

Ucal Powell, President, Carpenters' District Council of Ontario; Jo-Ann McArthur, Principal, fisheye, and President, the Empire Club of Canada; The Hon. Bob Rae, MP, Toronto Centre, and Liberal Opposition Critic, Foreign Affairs; The Hon. Scott Brison, MP, Kings-Hants, Nova Scotia, and Liberal Opposition Critic, International Trade; Derek Nighbor, Director, The Empire Club of Canada, and Senior Vice-President, Public Policy, Food and Consumer Products of Canada; Tony Iannuzzi, President, Carpenters' Union, Central Ontario Regional Council; The Hon. John McCallum, MPP, Markham-Unionville, and Liberal Opposition Critic, Finance; The Hon. Dwight Duncan, MPP, Windsor-Tecumseh, and Ontario Minister of Finance and Minister of Revenue; The Hon..Michael Bryant, MPP, St. Paul's, Ontario Minister of Economic Development, and Government House Leader; The Hon. Aileen Carroll, MPP, Barrie, and Ontario Minister of Culture and Minister Responsible for Seniors; David Pecaut, Senior Partner and Managing Director, The Boston Consulting Group, Chair, Toronto City Summit Alliance, and Co-Founder, Luminato; and Howard Brown, Director, The Canadian Club of Toronto, and President, Brown & Cohen Communications & Public affairs Inc.

Introduction by Helen Burstyn

As 2008 was drawing to a close, Canadians witnessed an exciting, and some would say surreal bit of political theatre, at least by Canadian standards.

A just-elected Conservative government suddenly poised on the brink of defeat.

The overnight formation of an extraordinary and unlikely multi-party coalition.

The proroguing of a Parliament that had barely begun.

And then the appointment of a new Liberal leader in record time.

Next Tuesday, when the federal government brings down its much-anticipated budget, the Official Opposition Leader and the Prime Minister of Canada will face each other across the aisle, and who knows how this uniquely Canadian political drama will continue to unfold.

As Mr. Ignatieff prepares for the resumption of Parliament, he's been conducting a national town-hall style tour to hear Canadians' views on the economy. Canadians are also getting a chance to become better acquainted with the newest leader of this country's oldest political party.

Michael Ignatieff has a resume of epic proportions and a list of achievements that goes on for pages. Last month, the Globe and Mail's Michael Valpy offered this description of him: "His curriculum vitae is dazzling: a thinker on global affairs lionized throughout the Western world; a Canadian who has garnered truckloads of awards, honorary degrees and distinguished lectureships; the eminent director of Harvard's Carr Center for Human Rights; an author of celebrated books published in 19 languages, and articles that have appeared in the leading periodicals of Britain, the United States and Europe; a novelist, journalist, screenwriter, documentary maker and television personality who has parsed the central moral and political issues of the times, as well as the Freudian recesses of the human soul." Impressive.

Today, we get to learn more about Michael Ignatieff, the politician, as he offers his policy prescriptions for an ailing economy and his political aspirations for his party, and the nation.

His talk is entitled "Moving Forward From Hardship to Hope."

Please join me in extending a warm welcome to Michael Ignatieff.

Michael Ignatieff

Thank you Helen for that warm introduction.

And thank you to Ucal Powell, Tony Iannuzzi and the members of the Carpenters' Union for sponsoring this event. The Carpenters' Union was instrumental in proposing the country's first national infrastructure program 15 years ago.

Of course, in those days, it was run by a Liberal government, so the funds were not just announced, they were actually spent—and they put people to work right away, not in a few years' time.

I appreciate this opportunity to meet with both the Canadian Club and the Empire Club.

And it is always great to be in the riding of my friend of 40 years—Bob Rae.

I am pleased to be here, even if the President-elect of the Canadian Club, John Capobianco, ran against me in Etobicoke-Lakeshore. He was a worthy opponent, and I salute him as a man and as a citizen.

As I look around the room today, I believe that the audience is split fifty-fifty in terms of political support. Half of you are big fans of Prime Minister Harper. And the other half are huge supporters of President Obama.

The Empire Club and the Canadian Club are institutions that have always mattered to my family. My great-grandfather—a proud New Brunswicker named George Parkin—spoke to the club. My grandfather—a Russian émigré named Paul Ignatieff—spoke to this club. My Dad spoke to this club in 1969. He said then: "Those to whom this opportunity is offered, I realize, have to be brilliant, or original, or both. Since there is difficulty in being brilliant when you are trying to be original, and being original when you are trying to be brilliant, I shall merely try to be informative."

I've been travelling coast to coast with the leaders of my economic team—John McCallum and Scott Brison—

holding town halls with business and union leaders, students, legislators, seniors, representatives of a wide range of communities, and Canadian citizens from all walks of life.

You can't lead if you don't listen. We've listened. I have listened to heartfelt stories about lost jobs, small businesses on the edge, fears about paying for drugs for sick children, worries about having to go to the local food bank.

I have heard troubling questions.

How will I ever get my first job?

Have I seen my last job?

How do I tell loyal employees that we are closing down?

How will we help our kids with their college funds?

A large number of Canadians tell me: "Well, I'll get by but I am worried about my neighbour ... or my co-worker."

We're a people who look out for each other. We must not lose this. Recessions can divide a country, make us mean, turn us selfish. We must not let that happen.

We need to take inspiration from each other. That inspiration is all around.

One day, I was standing on the platform at the Union Station subway stop when a woman came up and wished me luck. I asked where she was from and she said Oshawa. She was on her way to the YMCA for some job counselling. I asked why and she said that she was a tool and die maker and GM had let her go. I said, "You must be worried" and she said, "You bet. I'm a single mom and I've got one kid in university and another finishing high school, and it all comes down to me. But we'll get there."

And with spirit like that, we will get there. We will get there together. I'm in politics to help that woman get there: get the job training she needs, get the next job, get her kids through university and make sure she has a secure and happy retirement with her grandchildren.

She needs a government as strong and resourceful as she is. Those of us in elected office cannot fail her. We need to stand together as a country. We went into this time of turmoil together and we must come out together: more united, more competitive, more confident than ever. I know we can.

We Liberals understand about leadership in tough times. Canadians turn to us when times are tough.

Canadians remember sound fiscal management, repeated surpluses, debt reduction, and tax cuts on profits, revenue and income, strong financial performance and forward-looking social policies. Canadians remember that we cleaned up the $42-billion deficit left behind by the Mulroney years. We slayed that deficit, but at a steep cost.

Today, Mr. Harper is taking us back to those tough Tory times. Just yesterday, he signalled that we should be prepared for a $64-billion deficit in the next two years alone. He wants to get the bad news out of the way before the budget.

I asked Mr. Harper not to play games like that. I wanted him to put the facts and figures on the table, not let them slip out at his convenience. I think he just can't help himself. He thinks it is all just some kind of game. The release of this budget information is irresponsible and potentially costly to the economy. And who knows how many years Harper is planning to be in deficit? He hasn't shared that information. What we do know is that it was a long, hard road to dig us out of a huge deficit after the last Tory government.

As we face the budget choices next week, I've been clear. Targeted help to those Canadians who need help most is absolutely essential. Broad-based tax cuts that dig us deeper into deficit are not. This is not about gimmicks or politically popular moves. It is about listening to the real needs of Canadians. It is about trust. It is about competence. And this is an issue of political morality.

My generation should pay its own freight. We shouldn't burden the next generation with debts we didn't pay off. If the government proposes a deficit, I want to see the plan that digs us out of it quickly. And I don't want that plan based upon some unrealistic projections made up inside the Prime Minister's Office. Trust Canadians with the truth. Then show them competence.

When a Liberal government returned the country to surplus we set aside a contingency reserve—savings for a rainy day. A $3-billion cushion. But this government had other ideas. They scrapped that reserve. They spent rashly. They cut taxes rashly. They brought Canada to the red line when times were good.

Now the cupboard is bare. We face hard times, and are headed towards a deficit, which may top $100 billion before we see the other side of this.

Barely eight weeks ago, the government claimed there would be only a short recession and certainly no need to run a deficit.

How did Stephen Harper so completely misjudge the crisis before us?

In September, on the campaign trail, Mr. Harper said if we were going to have a recession, we probably would have had it by now.

In October, he told us there was still no recession, but there sure were "a lot of great buying opportunities emerging ... as a consequence of all the panic."

In all seriousness, that was Mr. Harper's strategy. Let the chips fall where they may, and if you can make a few bucks off the misfortune of others, good luck to you.

Then, on November 27, in front of Parliament and all Canadians, the Conservative government put forward its economic update.

According to Mr. Harper, there would be a surplus. He said that the right way to address Canada's difficulties was to take away civil servants' right to strike, attack pay equity for women, and stop public funding for political parties. That was not a program. It was a provocation.

And we said: No you don't. Back down. Think again. This isn't a game. It is a recession with painful human consequences.

On Tuesday, we'll all see whether the Prime Minister has learned to listen. If he hasn't learned to listen, he's not going to lead for long.

But let's not forget that the real test of leadership is listening when it counts. Not waiting until the shop's closed down to raise the alarm.

It also means getting your story straight, telling Canadians the truth and acting on economic reality and not political chicanery.

Mr. Harper has failed to tell Canadians the truth. The truth is that we've lost more than 100,000 jobs in the last 60 days.

Yesterday morning, StatsCan reported that retail sales are falling further and sales for new cars are in sharp decline.

The unemployment rate for young Canadians is pushing 13 per cent. We don't want a country where young people begin their working lives in the unemployment line.

And it's not just those who can't find work or who lose their jobs altogether. At Canada's largest steel company, Dofasco, thousands of employees were put on a two-week layoff over Christmas. And as of January 1, salaried employees are now working only four days a week. How would any of us like to have started the New Year with a 20-per-cent pay cut?

It's not just the workers in the blast furnace and the coke ovens, the recession is hurting every family in Hamilton.

It is hurting every family in Sudbury, The Sault, Windsor and Thunder Bay.

And the Canadians who work in the big bank towers here in downtown Toronto are just as uneasy.

That's the truth.

This isn't a central Canada recession. This is a Canadian recession.

The city in Canada that lost the most jobs last month was Calgary. Alberta is hurting, and when Alberta hurts, the whole country suffers.

The forestry towns of the B.C. interior are facing the collapse of the housing market.

In Saguenay, Lac St. Jean, Alcan is cutting jobs.

In Esterhazy, Saskatchewan, the potash mines are cutting back. Right across the country, millions of Canadians feel their futures hanging by a thread.

They know that unemployment is not just a statistic.

They know that unemployment is fear in your guts, worry that you are not going to be able to feed your family, fear that what's happened to your neighbour is going to happen to you.

That's the truth.

In hard times, Canadians expect compassion, understanding, and non-partisan action from their government.

That's the truth.

Canadians expect their leaders to have a plan—a plan that responds to the challenges at hand, while laying the foundation for a better future; a competent plan; a plan to manage the problems; a plan to lead the country.

This Conservative government has failed them. By mismanagement or by design, Mr. Harper has weakened the capacity of the federal government to act in the face of turbulence and uncertainty. Reckless spending and irresponsible tax policies have left Canadians' jobs, savings, and pensions—and our nation's future prosperity—hanging in the balance.

Canadians expect more. We deserve better. We deserve better than a government that turned an economic crisis into a political crisis, and then into a national unity crisis.

We deserve better than a government that is the last in the G8 to come up with a plan for dealing with a crisis that the entire world saw coming.

And that's the truth.

A key test of leadership is anticipating the future. A train used to run through the centre of the little town in Quebec where I spent some summers, and my father once told me that if you put your ear to the rails, you could hear a train before you could see it. And we did. And you could. And Mr. Harper didn't. Mr. Harper wasn't listening. He didn't have his ear to the rail, and he didn't act.

Rather than get infrastructure money out the door and get Canadians working, this government let $2 billion of allocated infrastructure funding go to waste—unspent.

We don't need funds that are never invested. We need money flowing now. We need to put people to work now. The projects are approved and ready to roll. The jobs are set to go. Everyone has been primed for action for a long time—except for the federal government.

Instead, 44,000 construction jobs were lost in December. The members of the Carpenters' Union know that all too well. It's tough during the holidays hiding the fact from your kids that you don't know when you'll see your next pay cheque.

On Tuesday, Mr. Harper and his ministers are going to promise the same infrastructure they've failed to deliver for the last three years.

The time for splashy re-announcements, simplistic promises and inappropriate spending—the hallmarks of Mr. Harper's government—has passed.

This crisis demands that we use the power of our government to the fullest. It demands that we understand what our government can be—and what it should be.

Because it's not just about infrastructure; it's about infrastructure that builds the country, so that when we are through this recession we'll be prouder, more united and more competitive than ever. Conservatives don't understand that.

Liberals do. I do.

Conservative governments don't build national institutions like medicare, a constitution, a flag, childcare, or the Kelowna Accord. Liberal governments do. And that's what we need to do now.

We need to build a budget that looks forward, that binds our country together and makes us stronger today and much stronger tomorrow.

Canadians know that their standard of living has always depended on prudent investment in public goods. They are the ties that bind us together as an economy and as a people.

We need affordable housing, public transit, energy grids, high speed rail, and programs to help lift many Canadians and their kids out of poverty.

We need to help protect the pensions and savings of senior citizens, so that retirement is a time of happiness and accomplishment, not a time of anxiety and fear.

Mr. Harper has allowed this country to slip, to become less than the sum of its parts. Now's the time to pull together, to invest wisely in the projects that bring us together and make this country more than the sum of its parts.

This crisis is testing our political system and those like me who have entered public life.

Canadians everywhere are asking politicians: raise your game, be equal to the hour.

The inauguration of President Obama shows us how one man putting himself at the head of millions can restore trust and restore faith in the political process.

We in Canada must do the same. We do not need to drift with the tide. We can act. We can choose. We can work to avoid the worst and search for the best. We can rebuild the trust that has been broken and restore faith in our own country.

Canadians want a government that puts the country first. Enough with the games. Enough with the attack ads. Let's try to do what's right. I shall try to do what's right for my country next week.

I will ask some tough questions of Mr. Harper when he presents his budget:

Will it help the needy?

Will it save jobs?

Will it create the jobs of tomorrow?

Will it be fair to all of Canada's regions?

Will it burden our children with debt?

This is what a responsible Opposition does. And if the government fails, I am ready to lead. I do not seek office at any price. But I am ready.

My deepest instinct about this country is that we are strong, not weak. We are united, not divided. Determined, courageous, uncomplaining and resolute. We have been, we are, and we will be an example to the world. We have been, we are and we will be a light among nations. Now, in crisis, our light must shine. We must seize the moment, as Canadians have done before.

The Royal York opened its doors in 1929. It was the tallest building in the Commonwealth and the only one in Canada with elevators.

When the stock market crashed a few months later, many thought the Royal York would close its doors. Many thought we would never again see tall buildings with elevators in Toronto.

Look at this city now. Look at this country now. And imagine what can be.

We can jump-start job creation. Spur innovation. We can lay the foundation for the economy of the future, protect the vulnerable, protect the jobs of today and create jobs for tomorrow. That's the essence of our national interest and the test that this budget must meet.

My job is not to let Mr. Harper skate by with a passing grade. That's not acceptable. Not in these times. Not ever.

Now is the time to do better—so much better.

I want to appeal to the best in Canadians. To their compassion, decency, respect for others, civility, hardiness, generosity of spirit, patience, persistence and idealism.

My party and I want to bring people together with common purpose and common enterprise. To show courage and boldness, and revive the faith that people have in themselves and in their country. To draw upon the resourcefulness of Canadians and ask them to be equal to the greatness of their land. To forge long-term prosperity. Strengthen our citizenship. Strengthen our unity. Rediscover our place in the world.

Canadians understand that the days ahead will be difficult. But together, we can fill them with optimism and hope. And our light will shine brighter.

Thank you.

The appreciation of the meeting was expressed by Jo-Ann McArthur, Principal, fisheye, and President, the Empire Club of Canada.

February 5, 2009

Marcel Côté

Partner, SECOR

John McNain

Vice-President, Strategy and Marketing, Capital One Canada

Steve Thomas

CEO, De Beers Canada Inc.

Mary Ann Turcke

Executive Vice-President, Field Services, Bell

HOW TO CREATE A CULTURE OF INNOVATION

Chairman: **Catherine S. Swift**
Immediate Past President, The Empire Club of Canada

Head Table Guests

Bai Rashid, Grade 11 Student, Westview Centennial Secondary School; Rev. Michael Clarke, Associate Priest, Christ Church, Brampton; and Robin Sears, Senior Partner, Navigator Limited, and Director, The Empire Club of Canada.

Introduction by Catherine Swift

We have a different format than usual today as it is a panel discussion on the important topic of How to Create a Culture of Innovation. With the current state of the world economy, it is easy to get sidetracked from the bigger picture and permit the urgent to take precedence over what is important. There's an old question about what is the difference between ignorance and apathy? The answer is I don't know and I don't care. Despite the temptation of being caught up in the day-to-day negative headlines, we cannot afford to be ignorant or apathetic about the vital role of innovation to any successful economy. In fact, as Canada is actually quite well positioned to ride out our immediate economic woes better than virtually all other developed economies, we would be wise to seize the opportunity of the next couple of years to position ourselves to take maximum advantage of the economic recovery that will inevitably follow. One key way of doing that is to work on enhancing the innovation culture that already exists in Canada.

For today's discussion, our four panelists will share with you why innovation remains embedded in their organizations' culture and is a key part of their business plan today and for the future. Above all, they will demonstrate how innovation doesn't fit into a tidy box, but rather means something different for every organization. It could be such things as a revolutionary product, the development of strategic partnerships or even streamlining customer services.

Today's discussion will be led by Marcel Côté, a partner with SECOR and a thought leader on innovation. Marcel's extensive experience in innovation and economic growth policies has made him the ideal candidate to be a member of the Expert Panel set up by the Council of Canadian Academies. This exclusive panel has been asked by the Government of Canada to report on the state of innovation in Canada. Marcel was also a sponsor of the global survey Managing Innovation in the New Economy, which polled over 1,000 firms on their innovation practices. He will share with us the insights of that survey today.

Our first panel member is John McNain, Vice-President of Strategy and Marketing at Capital One Canada. John leads a team, which develops the overall long-term strategy for Capital One's Canadian operations. In 2005, he managed the development of the company's Canadian brand, and more recently he was instrumental in the launch of both the No Hassles Rewards card and the MasterCard PayPass program for Capital One customers.

Our second panelist, Steven Thomas, is the Chief Financial Officer of DeBeers Canada. Steven joined DeBeers in 2003 to establish an Internal Audit function for its global operations. He was soon promoted to Head of Finance, and in 2006 was transferred to DeBeers Canada to assume the role of CFO.

Our third panelist is Mary Ann Turcke, Executive Vice-President of Bell's Field Services group. She previously served as Vice-President, Customer Experience and Operations, Small and Medium Business, where her team provided support for all small and medium-sized business customers through various call centres, help desks and dedicated service consultants.

Please join me in welcoming our panel.

Marcel Côté

Welcome everybody. It's a pleasure for us to provide you with some insight on innovation. This morning before coming here I googled "innovation culture" and I got 37 million responses. So what we are talking about today is something that a lot of people are concerned with and a lot of people are working on. In fact, innovation is now the prime driver of economic growth. It used to be capital; it used to be labour. Innovation now is really what makes the difference between countries, between regions, and between cities.

So what we will talk about today is the experience of three companies that are representative of innovative companies in the economy. But first let me talk to you about a global survey that we did on about 1,000 firms on their innovation practice and performance. It was led by co-founder of SECOR, Dr. Roger Miller, and we interviewed about 1,000 firms, gave them a four- or five-hour-long interview, and we documented both their innovation practice and their innovation performance.

That gave us a huge database, led to several academic papers, and also what I would call business-oriented papers, that you can read in the Ivey Business Journal in the November/December edition.

What we got when we looked at the results initially was a lot of hard-to-understand data. We then started to analyze it with statistical tools and a clear pattern of innovation emerged which we called innovation gain. And these innovation gains are defined by two relevant comparative situations.

The first one is whether you are in a new market or whether you are in an existing market. Innovation at Bell Canada is very different from that at Research In Motion. And what works at Research In Motion will not work at Bell Canada and vice versa.

The other dimension is to what extent you are constrained in your innovation. If you are trying to invent something and trying to get it into Walmart or trying to get it on Facebook, it is a very different type of innovation. You have to talk to different people and it will be a different process. The winners are not necessarily those that have the best product. They are those who have the best politics. The politics quite often in these complex network innovations is very important.

So that led to looking at this in six different situations—six different gains. When we looked at these gains they explained about 65 to 70 per cent of the innovation in business practice. The rest is relativity and luck and all kinds of things, but pure competitive situations explained a lot about what are the best practices in innovation in company data.

What we have to keep in mind is that in existing markets you are not reinventing something. You gain a little bit of market share every year by improving customers' values, by lowering cost, or enlarging the market. It's a slow evolution of market share.

In new markets it is very different. It is winner-takes-all gains most of the time. The loser tends to disappear and a market is building up very rapidly. Innovation defines the business and those who win a new market are those who know how to manage innovation and to win at the game of innovation. You have clear winners and clear losers and the losers go by the wayside.

So let's talk about best practice in existing markets. Who are those that really succeed in existing markets? There are some companies that have been on the list of the most admired companies from an innovation point of view for several years and you'll be surprised at the companies that are there.

They have a pervasive approach to innovation. Innovations are throughout the company in a very decentralized process. There are multiple points of innovation and somehow it is all orchestrated and can be translated into better products, into lower costs, into better business models, and having better technology. So it is a very complex process but of the companies that have managed to do it Toyota is the best example. Walmart is a very good example. Procter & Gamble is always there on the top of the list innovating in the production of soap, toothpaste, their detergent, and whatever and the same with Whirlpool providing washing machines and appliance products. They are recognized worldwide but they also show a profit on their bottom line and they've managed to be always at the front end in a relatively staid and structured market.

What are the best practices with these companies? It is a combination of bottom-up processes. You have direction coming from the top, you have policies, you have ambition, which defines where you want to be in the future, and in parallel you have deliverables. You have the bottom-up process of people throughout the organization, innovation-generating pods. Everybody throughout the organization tries to produce new things, better ways of doing things. And it is all more or less held together by a culture, a strong culture of innovation. The main problem with innovation is that the new has to displace the old. The new has to displace the entrenched and it is always very difficult to do in an organization. It is the culture that gives you the passion for changing and improving, that will allow the organization in a very decentralized fashion to make these choices. The organization that succeeds has a culture of innovation. A very good example of that is Toyota that managed in about 50 years to move from start-up to a large company in the automobile manufacturing industry and the market was structured all the time. They did it. Walmart did it with department stores and I can go through companies that are good at it but Procter & Gamble with soap and detergent is an achievement.

Let's look now at new markets, a very different ballgame. This is all about a race that lasts from 15 to 20 years. Google is only 10 years old but is a very old company for a new market. In fact its market structure is about 30 years old. They have become a very large company; they have built the market and have followed the product that goes from generation to generation—1.0, 2.0, 3.0. In fact every two years there's a new product, a new model. The ability to get the right product, to define it properly with good insight, is very important. But marketing it is also very important. You can have a great idea in a new market but if you're not good at marketing it you are not there. It is not necessarily the best product that wins. It is the best-marketed product. The best example of that is the Beta versus the VCR about 20 years ago. Beta was recognized as a much better cassette system and yet the one that was best marketed was the VCR. Google was not the best search engine but it was the one with the smartest marketing idea, the coolest marketing idea. And in new markets marketing is very important.

You have new market gains mostly in technological areas. With the smart phone there is a very intense race. Maybe RIM will become a very large company in 10 years. If they lose one or two rounds in that race it will probably disappear. But if it wins it will become a large company in a structured market.

You can see Cisco, Google, RIM, Amgen in biotech. Not many biotech companies manage to get up there. The gain there is very different, much more tightly controlled, because innovation is really the whole story and that's usually managed at the centre. There is a race for new customers and it's a race that involves control of the product, improving the product, the right R&D and making sure the right marketing follows. What you have is basically an innovation-generating machine and the control is very, very central, a very tight control. And you end up with wins in the new marketplace; you win the customers. If you lose you're gone. Look at all the technology companies in Canada that started this race and fell by the wayside.

So I will sum up some of the key lessons. The first thing you have to know is what gain you want. If you are, for example, in an existing market you really have to decentralize to have innovation throughout the organization. If you are in a new market you have to control. It is very important to know which gain you want. If you are in a network industry you have to have smooth people at the top who can make deals and sweet-talk people into an alliance, a win-win alliance, which sometimes is very difficult. And indeed if you look at network businesses, those that won are companies usually led by charmers.

The second lesson is the top down. It is very important to have a top-down strategy, to have a CEO, to have an executive, who is going to be at the top and who understands the rule of innovation to make sure that the rule in a company will allow innovation to flourish.

Thirdly what you need is a lot of bottom-up process. Innovation can't be released by people interacting with people who are different from them. It's a clash of ideas that gives you ideas. But it has to be structured. How do you structure something that is new and innovative? That's the challenge of managing these bottom-up processes.

Fourthly you need a management culture throughout the organization to resolve all the conflicts that innovation can result in.

And finally you have to co-ordinate the process and we will hear from people here who are co-ordinating the process.

So without any further comment I will go to the panel and ask them a few questions.

And I'll start with the three panelists and ask them how embedded are innovation practices in their organizations and to what degree are they tightly controlled or decentralized?

Steve Thomas

De Beers is a company that is 120 years old and working in what many would think of as a very traditional industry. Is innovation something that would be promoted to continue its success or is it something that would be stifled?

What I have found is that of course there are those traditional pockets of innovation in terms of research and development across many quarters. De Beers' success has been driven in great part by the depth of the technological advancements we have made in both the sorting process in the mining and technologies and in the depth of the intellect we have got in specialized areas. You'd expect that of a mining house.

Secondly the innovation is shifting to an extent because as those technologies become more commoditized in mining houses, what you innovate today somebody catches up with tomorrow. You have to shift where the innovation is taking place in a company and that shift is more to the front end of the value creation part in the diamond pipeline as we call it. So we are innovating in the way we connect with our customers and the service sales proposition, and that has been a transformation for the company because we've had to attract, retain those diamantaires we want to do work with. Once upon a time that wasn't an issue for the company so it has opened up a whole new form of innovation—innovation in terms of marketing skills and customer retention—and that's manifested itself more recently in a strategic partnership we now have with Louis Vuitton Moet Hennessy where we've moved right to the retail end of the diamond market. Again this is something that 10 or 15 years ago De Beers would never have considered, but now it is an essential part of our value proposition, wealth creation proposition for our shareholders and stakeholders.

So the focus of innovation has moved within the business. That's probably been the single-largest point of innovation for De Beers in the last, I would say, six years. There has been a genuine cultural transformation from what was a closed volume-driven company to a very transparent values-based company and that now is enabling innovation to become much more widespread rather than in these specialized silos, be they technical or in the marketing part of the company. There's now a cultural expectation that everyone in the company has a responsibility and an accountability to keep transforming the business. And that has been made possible through this cultural transformation.

Marcel Côté

Thanks. Now from mining to a very different competitive situation—Mary Ann at Bell.

Mary Ann Turcke

You said in your introduction it was very important that innovation doesn't fit into a tiny little box and what I do at Bell is all of the field operations, all the guys in the front. We have been around for 125 years and we have been installing telephones for that long as well so the trick of innovation is really not offering the latest thing, it is how to do things differently to fundamentally change the equation between quality and cost because with large operators, the pressure to improve service while keeping the pedal down on efficiency and cost reduction is what we wake up thinking about every day. Innovation for me is the freedom of innovation thought, the way to figure out what we are going to do to get things done differently and then having an execution plan to get it done, because innovation is something we can talk about but in a large scale operation if you don't have a way of actually getting it done in a way that you can mitigate the bumps along the road it is very rare that you will actually execute on it because the risks of hitting those bumps are too big. If we add five minutes to every job that we do at Bell Canada millions of dollars go away so it is very, very important to execute a plan.

So is innovation embedded in my organization? I would say similar to you in part. It seems to be the domain of process and project experts in small areas of my operation. Large areas are obviously the product marketing kind of market-based areas. My challenge is to really make that thinking broaden out to every single manager in the organization because my gains are going to be small gains, but when they are scaled and institutionalized, they will create big value for me. It is really about those small things that we can do and innovate on that create the difference once scaled up, so that I can get that repetitive performance out of each and every technician, each and every time, reduce the standard deviation of performance, and all those things that kind of surround making the operation great. So for me that is the innovation challenge and I would say is it embedded, no. It is part of my challenge this year and in the coming years to really get that. For me the key challenge is cultural around leadership and getting at that front line supervisor level so that these folks wake up and ask what things they can do today to really make that customer choose Bell the next time. That is really my challenge and that is why I have been out talking to my supervisors about it. We'll talk about it more in the next question too.

Marcel Côté

Twenty years ago there was a two-man management in the department in a suburban bank in Washington and out of this came probably the most innovative credit card company. It became Capital One.

John McNain

Well innovation is certainly very embedded at Capital One as you say. I think it is also very widely distributed because it has really been part of Capital One since day one. As you have said it was less than 20 years ago when Capital One was essentially created through innovation. Our CEO, Rich Fairbank at the time, looked at what was happening in the industry with a sort of a one-standard product and said there was definitely an opportunity for change. He hired a bunch of bright people who knew nothing about the industry but shared in his passion to challenge that status for the sake of the consumer and with that came mass customization really starting the big changes in the credit card industry. It is important I think to have that story in context because that story is very much alive in our culture today. I think it helps represent how much innovation is really the foundation; our culture is the foundation of our innovation. It is certainly a challenge to keep that alive today. Keeping it alive is based on two things—the type of people that we hire and the environment that we create for them once they join us. In terms of the people we hire we continue to focus on people who have a certain skillset, not necessarily industry knowledge, and we have a very rigorous process for them. We really look for people who share a common set of values, values that strategically involve thinking and acting like an owner. That comes together for a certain type of person who joins our culture but then just as important, maybe even more important, is the environment for them once they join us.

I think the culture and your environment are somewhat intangible, but probably the most tangible aspect I could describe is our actual physical environment in our office. Often we have guests come to our office and after one walk around our office they tell us we are clearly not at a typical bank. It's a very open office environment. I sit right in the middle of my team. They can all see where I'm sitting and everyone, including myself, my executive assistant, and our president, all have essentially the same work spaces. As I sit in the middle of my team, if someone has an idea a discussion just happens and people start talking about the item. That is very different from a lot of organizations where executives are behind closed walls with an executive assistant somewhat protecting them so to speak. It is really an open environment with everyone. We have tried to extend that online. Our president started Phil's blog where a couple of times per week on our wiki he starts opening up discussions and people from our company respond to questions. It replicates that dialogue online to a certain extent. I think the people we hire combined with the environment that we create for them really comes together for a certain powerful mix that helps to embed innovation in our culture.

Marcel Côté

Now we will be taking questions from the floor. If you have questions write them down, we will come and pick them up and I will read out the question. Now while you are doing that I'll ask a second question. Now that the Capital One story is well known it is easy to imitate Capital One. What's your next step? What do you have in your agenda to keep on innovating and to what extent can you always innovate and keep on innovating? What are your initiatives?

John McNain

I think our largest challenge is taking what we have and trying to maintain it as our organization grows and trying to translate it into having a larger impact on the marketplace. That in itself takes a lot of work. It is interesting. When I first joined Capital One eight years ago, we were relatively small and I would say innovation just sort of happened. As we have grown and become much larger that unsystematic innovation doesn't happen as easily. As you mentioned, you need more systematic approaches. So our initiatives have really been about how to take what we have and maintain it as we grow by introducing some systematic approaches.

Here are some things we've done. One thing we did was we asked a group of directors from various areas in our organization to come together and actually own the development of our innovation capability. That's training, reward, recognition, and trying some new innovative technologies. We had an innovation contest day, where our junior associates spent one day just focusing on an idea they had and developing that idea into a proposal. At the end of the day they presented their proposals to a subset of the executive team. A couple of them won some great awards, but they also won the support and resources to implement those ideas. That's an example of one group of initiatives we've done.

Another one is we have taken the concept of agile from the information technology world and translated it into solving real business problems. This is, I think, very similar to the innovative pods you discussed. A typical problem would arise in doing a product enhancement. Marketing completes one area of work and then it is handed off to finance to do their work, and then it is handed off to operations to actually implement it. It is somewhat sequential. If you take those three groups from across the office or across your building, put them all in the same room every morning from 9 a.m. until noon, and if a senior individual joins them for half an hour, just to provide strategic direction and help clear any roadblocks, that is essentially how we have taken a concept of agile from information technology and tried to translate it into solving business problems. There's clearly a certain time-to-market benefit there by having everyone together at the same time, but there's also innovation that happens by having them in the same room and somewhat replicating what we were when we were quite a bit smaller.

Here is one last example of an initiative. You talked a lot about strategic direction. It certainly became very apparent to us as we got larger just how important it is to take the time to articulate in a very simple manner what your strategic direction is so that people essentially have a framework in which to innovate. So we were very clear with our associates over the past couple of years to tell them that we were here to challenge the status quo for the sake of the consumer, that our brand value proposition was really about great value and no hassle. We have a framework and translate that into products and customer experience. We are clear with our associates but there are certain capabilities that at Capital One we need to do much better than our competitors—capabilities around our people and development, around making credit-lending decisions, and around innovation. Having that level of clarity fairly simple and articulated well is important as we grow. We certainly have a lot of challenges still and lots of opportunities, but I think we are starting to work on some more systematic approaches to ingrain innovation so that we can translate it into having a larger impact on the marketplace.

Marcel Côté

Mary.

Mary Ann Turcke

I spoke about some of the challenges that large-scale operations have and I want to come back to the idea of pods too, because there are some things that we have done in my previous role that worked really well. Where I am right now, I have three main objectives. I have only had this larger organization for a period of six months. Here is an opportunity for discussion because I'm planning the next couple of years. The issues are visibility, prioritizing and then executing. When I think about the degree of difficulty of those three things, the first for me is the hardest. I think it is the hardest and I will tell you why. The second and third I don't think are trivial, but designing a prioritization process and an execution plan is more deterministic in nature and we can handle that.

Getting visibility is very, very interesting in larger operations. I find I spend a lot of time out in the garage talking to the guys as I have for the last couple of months. All those supervisors are there as well. There seems to be what I would call a permafrost there of information because I leave with a list as big as Santa's list of the things that are annoying or could be changed or a good idea for the customers that they would really value.

I come back to my office and wonder why it takes a visit to the garage to find out these things. Where are the supervisor and the associate director and the five or six layers in between? What we have to do is create a fertile ground so that people actually talk about innovative ideas and act on them. How do you make it worth it to talk about it and then to do it? The only way to make it worth it is by actually starting to do some of it because for 125 years people on the front line have been wanting to fix this, fix that and indeed a lot of it does get fixed. But a lot of it doesn't and the only way to kind of keep the land fertile in a large operation is to keep executing on things that you know you should execute on. You build credibility as a leadership team, as an executive team and then people will start thinking bigger and broader. You start with a no-brainer fix as I call them, you execute on it, you celebrate it and then people start thinking larger.

I'll give you an example. How do we bring intimacy back when technicians are out on the road and they have to call in to Bell because something didn't go right? A hundred years ago they knew the person they were calling because the company was very, very regionalized. They knew their dispatcher, they knew everybody they spoke to. How do you think of a pod kind of structure to bring that intimacy back when the folks out on the road have to get that job fixed? Every month I'm going to ask them how many jobs per day one of the technicians did. It is a constant to and fro between getting as many jobs as they can do in the day, and doing the best job they can. How do you create an innovative way to support them? How do I find out what those ways are if I'm not going to hear it from the people actually doing the work? That is the challenge I have.

We did have a very good experience when I ran the operation in a smaller division, a small to medium business, of creating pods and creating innovation. We created little cells of folks in an operation by collapsing jobs, but it is very, very hard to do because there is no such thing as a super person who can do three or four different jobs. By creating a pod of people and getting away from the silos you will create innovation. We meaningfully stepped up the level of the service that we gave to our bigger kind of customer, not the enterprise customers or the big banks, but that next level down, those small to medium business customers with 100 to 500 people. We gave them a dedicated person to call. There were no more call centres. We created this and we had a much lower cost structure than we had before. Those are some of the things that we have done and the experience I'm bringing into my new role for the whole company.

Marcel Côté

Diamonds are forever? You don't want to change that.

Steve Thomas

We certainly don't want to change that but I mentioned earlier the challenge that we've had and I will just go through some of the points that Mary Ann made. The idea of the pods for De Beers is at the selling end of the challenge within De Beers. We have had to create a new relationship, a new value-ad relationship with our site holders. It was no longer enough just to say that we have provided them with the products. They are now on their own two feet. That's the end of the relationship. So necessarily the Diamond Trading Company, which is the selling and marketing arm of De Beers, transformed itself and brought in the concepts of key account managers, who were instructed to overcome a particular problem—how to demonstrate to our customers who have bought the product that that's not the end of the value that we create to them in their businesses. How do we get more meaningfully engaged with this customer base?

Now you could say therefore that we innovated out of need to create value for ourselves and our customers. But once we stepped into that space, once we created these idea pods for demonstrating value, it really opened up a level of engagement amongst the staff. They thought there were other things we could now be doing for our site holders, other services we could be providing. It was on the back of that momentum coming out of the marketing and selling department that the managing director of the Diamond Trading Company moved the game on to bring in the finance people, to bring in some representatives at the producer end of the market, those people who have been mining the product who historically would be completely separated from and not a relevant part of the selling process. So there was a new joining up of all of those mines that would be affected by the value proposition we were putting out for the customer base and that's been very successful.

It's really from that that the ongoing challenge for De Beers, as for other diamond producers, is how do you continue to differentiate in the value space to your customers and to your shareholders and move into retail opportunities such as Louis Vuitton and licencing the De Beers brand. That has created a new momentum in the company, a new excitement, for there aren't boundaries that we previously drew for ourselves. Our business was contained to mining and selling. Now we have started to push the boundaries to say our brand name could mean a lot more to the globe and could be more influential. It has energized the work force.

I'm compelled to mention that the values that we now see introduced into the company in the last two or three years are represented by icons to overcome the language issues that we face across the 20 or so countries in which we are represented. One of those icons has shaped the future and therefore we engaged the work force explicitly to tell them they have a responsibility to help us shape the future welfare of this company and the communities in which we operate. And that's been a massively beneficial galvanizing effect.

Marcel Côté

Thank you. To any one of the panelists is there in your company a special incentive or a compensation package that is associated with innovation or is it just part of the general structure?

John McNain

I think one of the foundations of having innovation in your culture has to be the rewards and recognition structure. We do have some informal rewards called the maverick awards associated with innovation. We have also ingrained it to a certain extent in our performance management process. Our values for example are part of how we assess people. Competencies that are associated with innovation. I think it is really important that you give people a certain bandwidth of their time to focus on things more in the innovation space. You need to think about that within their results and recognize that not every initiative is going to come to fruition. I think we have tried to really rank that component of it in our reward and recognition program.

Mary Ann Turcke

We have a similar kind of maverick award in our organization called merit. When folks do things that are different and interesting on the one hand or go above and beyond for a customer on another hand we do celebrate that and we recognize people for it. I think that in general the business plans that we have require innovation to hit them. For us innovation is a tool in the toolbox. In order to meet business plans we have to take the cop out of the driver rather than we have to drive. We have to use the kind of reward and recognition program rather than a specific kind of cash compensation. We have to reward recognition to create the behaviour and the attitude to drive the necessary things.

Steve Thomas

I wouldn't say our infrastructure around reward and recognition is as you specifically described there John. Within the values by which we assess people and the specific criteria for competency and annual assessments we certainly have innovation and creation as part of the criteria of assessment. But we don't have maverick awards and that sounds very interesting, something we can maybe speak about afterwards.

Marcel Côté

Can you tell us what you have seen as the two innovation killers in your company? Don't give me more than two in very short answers.

Mary Ann Turcke

For me innovation failure or innovation killing happens when people come up with great ideas and for one reason or another they are stripped down in front of others because of it. Or the idea they come up with doesn't work and it doesn't work out as well as they thought but it is still better than it would have been without the idea and they still get stripped down in front of us. It's about creating a leadership file in a culture in a company that just accepts that. That for me is the single biggest killer. Someone comes out of his office, is gung ho, and just hits a brick wall of yes that is not going to work. That is the kind of attitude in the new culture that we are trying to get away from because we know we can't do it like that.

Marcel Côté

Short answer.

Steve Thomas

Single biggest killer—lack of time and still needing to innovate.

Marcel Côté

How about you?

John McNain

I think the killer really comes down to how you can take what you have and actually scale it up as you grow. We think we have a wonderful product, but how do you actually take it and translate it into the Canadian marketplace with communication that really stands out and people take notice. Credit cards are not on the top of mind to them. For us the struggle is even when we have a great idea how do you actually get it into the marketplace?

Marcel Côté

Given the current situation, the tough economic times and layoffs, companies tend to hunker down and be inward focused. How do you get innovation in these times? What would be your toughest challenge of the next 12 months to keep some innovative spirit at a time when there is not that much life in the organization?

Steve Thomas

Obviously a tough question and there's no easy answer to that. Again it comes back to the basic commitment from the top down with the CEO of the company letting people know that you don't cost cut your way to success at a time like this. You need to build top line. You need to maintain client relationships and let people know that no idea is a bad idea. You need a CEO and a top team that are committed to that sort of culture. You need a signal from the top.

Mary Ann Turcke

This will be an interesting contrast because I think in this environment resources are constrained and there has been a downsizing in the work force. I think times like these create innovation. Those people who are left create an environment where they can figure out how to get the job done with what's left. That is really a big challenge. It's been great and it's been positive for us over the course of the summer. Through Christmas it's been hard but it has created pockets of innovation that we haven't seen before.

John McNain

I think that's a good point. In these times how you take innovation and spread it around is what's needed at the current time. It is a different type of innovation. It might not be as product or market driven. It might be about other things like efficiency during that time. And the second thing I would say though is the actions that executives are doing during this timeframe are still important in terms of the communications, because you talk about a culture of innovation. That takes years to develop and during these times is certainly a test of your values. I think there needs to be a certain amount of consistency during these tough times to show that what you mean is true even in tough times.

Marcel Côté

The final question comes from the floor. One of the greatest innovative companies in the past 30 years is Apple. Apple got a lot of its ideas through interaction with its customers. The whole trend on the Internet is to work with customers, work with users, to define the product. To what extent are your organizations interacting with your customers? To what extent are you structured to interact with your customers to get their ideas into your company?

Mary Ann Turcke

We do a lot of classic customer surveys and we hear from the sales force in operations loud and clear about what we need to do differently in terms of serving our customers. What I spoke of earlier about creating a single point of contact for that mid-market small to medium business customer came directly from hearing from a business. They simply could not talk to a different person every time when trying to get their order serviced. It was too complicated. We needed to do things differently. It kind of came from the sales force of the larger customers and via our customer surveys. We heard it directly through our customer feedback. That is how it works at Bell.

John McNain

I think 20 years ago the way we handled this was much different with our information-based strategy approach of using data. Certainly today you need to adapt very differently. We need to have face to face online and figure out how to do that. I think our U.S. organization has come up with a really interesting approach and that is something for us to think about in the Canadian organization also. They have something they call card lab. What you do is you go online and basically design the components and the different levers of your product. I think there is a component there of online interaction that we still have to tap more into and we are starting to think about.

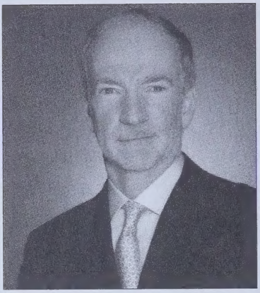
Steve Thomas

We are in a luxurious position where we have 79 customers and we get to send 100 per cent of our product to those customers through ten sales events a year. Amazingly it has only been in the last five, 10 years, that the company has thought about our unique position where we have that level of interface, that level of captured audience and therefore we need to use that moment to sit down with those 79 worldclass diamantaires and ask what they need from us to transform their business. We have had that very powerful touch point to create value-added services as they were certainly once called and change the portfolio of services that we put forth. So that really is a powerful and perhaps unique opportunity that De Beers has capitalized on with its customer base.

Marcel Côté

Well thank you all. That is all the time we have. We have to go back to work and innovate this afternoon.

The appreciation of the meeting was expressed by Robin Sears, Senior Partner, Navigator Limited, and Director, The Empire Club of Canada.



February 26, 2009

Hubert T. Lacroix

President and CEO, CBC/Radio-Canada

CREATING A SPACE FOR CANADIAN VOICES IN A CHAOTIC MEDIA LANDSCAPE

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada; Fitzroy Thompson, Grade 12 Student, Eastern Commerce Collegiate Institute; Rev. Dr. John S. Niles, Senior Minister, St. Andrew's United Church, Markham, and Past President, The Empire Club of Canada; Trina McQueen, Board of Directors Member, CBC/Radio-Canada, and Professor, Broadcast Management, Schulich School of Business, York University; Michael MacMillan, President, Common Ground Capital Inc.; David P. Harris, Managing Partner, Egon Zehnder International Inc.; Edward J. Waitzer, Partner, Stikeman Elliott LLP Barristers and Solicitors; Tim Reid, Director, Business Development, ZED Financial Partners, and Director, The Empire Club of Canada; Spencer Lanthier, Corporate Director, TMX Group Inc., Torstar Inc., Gerdau Ameristeel Inc., Biovail Inc., Zarlink Semiconductor, RONA Inc. and Ellis Don Inc.; Heather Hiscox, Network Reporter, CBC News (Television); Charles Cutts, President and CEO, The Corporation of Massey Hall and Roy Thomson Hall;

and Gilles Hebert, Senior Vice-President, Facility Management, SNC-Lavalin ProFac Inc.

Introduction by Jo-Ann McArthur

As Canadians, we all feel that we have a stake in our national broadcaster. The CBC is our voice, our identity, our whipping boy. And we are not shy about sharing our opinions!

What is the role of public radio in 2009? In an era when it is so easy to use social media tools like podcasts or YouTube to share ideas around the globe or Twitter to break news as the plane is literally landing on the Hudson River, what is the role of a "national public broadcaster"? Yes it's chaotic and messy out there, so how do we as Canadians maintain our distinct voice?

Well I know that Hubert Lacroix has a couple of thoughts to share and some light to shed on this matter. He's just completed year one of a five-year mandate. And just as the CBC has had a couple of reincarnations, so has Mr. Lacroix. He is a lawyer by trade, a professor, a basketball colour commentator for the summer Olympics, and a weekly contributor for Radio-Canada's Hebdo-Sports radio show. And with a time of 1:32 in a recent Montreal half-marathon, one hell of a competitor!

Please join me in welcoming Hubert Lacroix.

Hubert Lacroix

Thank you for the opportunity to speak to you today.

I am indeed the head of CBC/Radio-Canada, which makes me everyone's favourite whipping boy. Well, in this city, maybe not. Maybe I'm number two, right behind Justin Pogge.

When I arrived at CBC/Radio-Canada in January 2008, I thought that I knew a lot about the public broadcaster. But then, I discovered this:

- CBC/Radio-Canada brings Canadians programming when, where and how they want it—on 29 services and multiple platforms: television, radio, the Internet, satellite radio, digital audio, and a recording label.
- In addition to offering its services in English and in French in five time zones, the national public

broadcaster also provides coverage in eight Aboriginal languages, in eight international languages for new and aspiring Canadians, and nine languages via our worldwide radio network.

Twenty-nine services. Now, be honest. How many of you here, in this room, really knew that this was the scope and the diversity of our services?

So, how have I spent my first 14 months? I have been listening. It's been a priority.

I wanted to talk to as many people as possible, from both inside and outside CBC/Radio-Canada, so I crisscrossed the country, visiting 16 of our stations, meeting thousands of our employees and having conversations with opinion leaders in those communities. I listened to a wide range of views about how we're doing and where we need to go.

And let me tell you, everyone has an opinion.

Before suggesting why you should care about CBC/Radio-Canada and the fate of your national public broadcaster, I'd first like to talk a bit about some of the common perceptions and, frankly, misconceptions, that came up regularly in many of these conversations.

In English Canada, the three most common myths I ran across are these:

- The recent changes to CBC Radio 2 are off-mandate and are an example of how we have lost our way;
- CBC Television is not distinctive; and
- We receive plenty of money from the government to fulfil our mission and should not be crying out for more.

Myth #1: the recent CBC Radio 2 changes are off-mandate.

As most of you know, over the past year, we've redeveloped the schedule for CBC Radio 2. It used to be almost all classical music. It isn't anymore.

Our goal was to make the network more relevant to more Canadians while maintaining our strong commitment to classical music. We wanted classical music to share the airwaves with all genres of Canadian music.

Why did we make these changes?

While our relatively small share was stagnant—few people were listening to CBC Radio 2—our existing audience was aging rapidly; much more rapidly than the Canadian population. New audiences were not coming. This was not sustainable over the mid-term.

We had a problem: we needed to attract a broader cross-section of new listeners. So, we asked ourselves: what is the mandate of CBC Radio 2?

Let me read you a quote from the minutes of a 1983 CBC/Radio-Canada board meeting describing what CBC Radio 2 should be about:

"Programming will largely concentrate on Canadian fare featuring extended pop concerts, jazz and folk festival material. [It will] provide a mechanism for discovering, developing and promoting talent which otherwise might not be heard..."

And that is exactly what we have set out to do with our recent changes.

CBC Radio 2 now exists to showcase and promote Canadian music; it's that simple!

Contrary to what some critics have said, we have not removed classical music from our schedule. The most-played single genre of music is classical. And by opening up the airwaves, we have, in the past year, been able to go out and record 760 live concerts across the country, 261 of them classical, the rest consisting of all musical flavours imaginable.

Some long-time listeners have been upset about these changes and, boy, did I hear from them; but many others have embraced the changes.

We are not more "commercial" but no longer sound all classical; we haven't abandoned classical music and we're not off-mandate.

And, by the way, as a person who has had season tickets to the Montreal Opera for decades, who really likes jazz and enjoys all sorts of different genres of music, I as a listener, really like the new CBC Radio 2.

Myth # 2: CBC Television is not distinctive. It's just like the private broadcasters.

In my opinion, this issue boils down mostly to the flack we catch because we air Wheel of Fortune and Jeopardy! in the early evening.

Why do we do this? The fact is, that it costs 10 times more to make one hour of high-quality Canadian programming like The Border than it does to buy Wheel of Fortune and these game shows generate a significant profit that we can then pour back into producing Canadian programming.

Further, Jeopardy! attracts over a million viewers each evening, and we carry many of those viewers into our entirely Canadian 8:00 to 11:00 p.m. prime time, thus increasing the impact and the revenue of our Canadian programs.

Are we the same as the private networks? No way. First, we're the home of Canadian content; no other network even comes close.

CBC Television is by far the leading broadcaster of original Canadian content.

Here are some examples of what only WE do:

- 21 hours of Canadian programming a week in regular prime time. That compares to about seven hours for the privates.
- In the last four years, we increased by 38 per cent our investment in Canadian dramas and comedies. Our investment now represents $135 million.

- We created a made-in-Canada reality segment with shows like Dragon's Den, Canada's Next Great Prime Minister and Test the Nation.
- Both Jay Leno and George Stroumboulopoulos do Coldplay and Al Gore, but only George does June Callwood and Kim Campbell and Elizabeth May and Gordon Lightfoot and Craig "Free the Children" Kielburger and Deepa Mehta.
- Whether it is Bo on the Go!, Chilly Beach or My Goldfish is Evil!, we commission more developmental, commercial-free, child-focused programming than anyone else in Canada.
- We understand the issues we face as a country. In the last fall season, 14 per cent of CBC Television's prime time was dedicated to original current affairs programming—Canadian issues and international events from a Canadian perspective. That compares to 4 per cent for CTV and 0 per cent for Global.
- If you are in the Great North, who else is going to provide a local perspective on the news and the weather in the Inuktitut language? We are not only distinct; we're essential in eight Aboriginal languages and we assert Canada's sovereignty over the North.

For a long time, people have said that Canadians wouldn't watch Canadian programming. We're proving them wrong. The fact is, we air great shows that nobody else would run.

And here's what's really funny. I sometimes hear some say that we should go back to the golden days of CBC Television—the '70s and '80s. The irony is that in those years, our prime-time television schedules, in both English and French, were riddled with Dallas, I Dream of Jeannie, Marcus Welby, M.D., Mork & Mindy and the like.

In 1981, CBC Television held a significant place in Canadian broadcasting with 22 per cent of the prime-time share—yet only about half of our prime-time schedule was Canadian. We had only one all-Canadian night during the entire week.

How times have changed. CBC Television's regular prime-time schedule is now 100 per cent Canadian between 8:00 p.m. and 11:00 p.m. every night of the week.

The bottom line: no one else does what CBC Television does. We are distinctive.

Myth #3: we receive plenty of money from the government to fulfil our mission and we should stop acting like a cry-baby with respect to funding.

In a perfect world, would we need Jeopardy! profits to help fund our Canadian programming? No.

So, how much funding do you think we receive?

Hands up all of you who think their personal annual contribution to CBC/Radio-Canada is more than $100.

Hands up everyone who thinks that it's more than $200. How about $300?

In fact, it is $34 per year, less than a dime a day.

Now multiply your monthly cable bill by 12 and compare. Cable bill amount on one side, $34 on the other side.

Our government appropriation is a little over $1 billion, and we generate about $600 million of additional revenue from commercial activities of one kind or another, with the largest part coming from advertising (about $340 million).

In these times, I am getting asked: "Why do you need advertising revenues while the BBC relies entirely on public funding and France's public broadcaster is moving in that direction? Why can't you do the same?"

In a 2007 study, the Nordicity Group Ltd. found that among 18 western nations, Canada had the fourth-lowest level of public broadcasting funding per capita. $34.

The BBC receives $124 per Briton, and funding in France, which was $65 per citizen in 2007, will increase to $77 under the French government's plan to withdraw advertising from France Télévisions. And they both operate in a single language.

The Canadian government would thus have to more than double CBC/Radio-Canada's funding to match France's per-capita funding—and almost quadruple it to match BBC funding.

I'm sure that you get the picture. For us to continue delivering our services to Canadians, we have to rely on television advertising revenues to add to our government appropriation to balance our budgets.

Now that I've dealt with some myths, let me talk to you a bit about our reality: CBC/Radio-Canada is performing remarkably well.

Other conventional broadcasters are facing stagnant or shrinking audiences, yet CBC Television's audience share in prime time has risen to 8.9 per cent this season, an increase of 1.5 points in just two years.

CBC Television, and that means Canadian programming, is now the number-two English-language television network in the country.

The Télévision de Radio-Canada audience share is at a robust 19.8 per cent in prime time, continuing the increase from last year.

Our radio services are also enjoying historic highs: a combined share of 14.1 per cent for CBC Radio and of 19.4 per cent for Radio de Radio-Canada.

Our Web sites are getting four million visitors monthly.

And audiences are downloading close to two million of our podcasts every month.

This new interactive relationship with audiences is central to how a public broadcaster will meet its mandate in the coming decades. And there is a real thirst for this interactivity. Last March, we launched a membership feature on CBC.ca, which allows Canadians to interact with our content and with each other online. By year-end, we had almost a quarter million members making a total of 1.25 million comments.

This past week, we had more than 90,000 viewers streaming live to their computers every aspect of President Obama's visit to Ottawa. That is in addition to the 350,000 viewers on CBC Newsworld, the six-million-page views on CBC.ca, and the unprecedented participation in blogging and uploading of user-generated content.

The truth is, if you go back 40 years, you will not find a time when all of CBC/Radio-Canada's main services were succeeding and fulfilling their mandate so effectively.

However, we are facing extremely difficult financial times. Because of the current economic crisis, we are forced to fundamentally examine what we do and what we can be. The bottom line is we can't be all things to all people.

In essence, our unique role is to protect and promote democracy and Canadian culture.

- We must help Canadians form their own opinions based on unbiased factual information;
- We must help build a strong sense of identity and nationhood by telling Canadian stories in a Canadian way;
- We must provide an outlet for the expression of Canadian culture everywhere in the media landscape.

In practical terms, how are we pursuing this mission? There are four principal characteristics to the CBC/Radio-Canada of the future:

- We must be a content company. Don't think of us anymore as simply a radio or television broadcaster.
- We will always be the home of Canadian programming.
- We will be an undisputed leader in reaching Canadians on new platforms.
- We will be deeply rooted in all regions of our country.

The best example I can give of this vision in action is from our coverage of the 2008 Beijing Olympic Summer Games. We augmented our extensive television and radio coverage by launching the most robust online Olympic experience in Canadian history.

Our Web sites featured 13 broadband video streams with thousands of hours of live and on-demand event coverage (the first time Canadians could watch the Olympic Games live on their computer screens).

Through a partnership with Bell, Bell Mobility subscribers could receive live streaming video and on-demand highlight packages of CBC and Radio-Canada Olympic Games coverage throughout the day.

The CBC Sports' Olympics site generated more than 46 million total page views over the course of 16 days, and averaged more than two million page views each day, as Canadians viewed a total of 3.2 million live streams and 1.7 million on-demand streams of games coverage.

Our Olympics coverage is an example of the first three characteristics of the future CBC/Radio-Canada; the fourth characteristic is being deeply rooted in all regions of the country.

One thing I have heard loud and clear in my conversations with Canadians is that they all want us to have a stronger presence in the regions.

Striking the right balance will be difficult, especially with seriously constrained resources.

However, we've been making a concerted return to the regions in both the English and French markets.

We're committed to becoming better rooted across the country, from coast to coast to coast. It will happen. It must happen for us to fulfil our role as the public broadcaster, although I'm not yet sure how, how quickly, and in which format with the kinds of financial pressures we are facing today.

A content company, the home of Canadian programming, and a multimedia leader with an increasing presence in the regions is where I hope to take your national broadcaster in the next four years.

But will we make it?

Ultimately, the answer to that question is up to us as a society. With the rise of globalization and its inherent challenges, do you want, or do you feel you need, a reliable, credible and trusted source of homegrown content? And if so, who will provide it and how will we pay for it?

These questions have become especially pressing over the past months.

Like just about every other sector of the economy, we and other conventional broadcasters are facing a financial crisis.

As the economic downturn began affecting North American companies last August, advertising spending began to dry up. In our case, we are projecting a revenue shortfall of $55 to $60 million for the year ending March 31, 2009, with no recovery whatsoever in sight in 2009–2010. This represents a 7-per-cent drop from the previous year's actual results.

Canada's main private television networks have all announced major layoffs. Canwest Global has had to put its E! network up for sale, and even CTV put a local station up for sale this past week and announced the closing of two more yesterday. Both conventional, private broadcasters have called for the CRTC to reduce their obligations, placing even more pressure on the question of who will provide Canadians with Canadian programming.

In the case of CBC/Radio-Canada, significantly scaling back our spending since last August will allow us to barely break even for this fiscal year.

But these measures will not be sufficient for the future.

If we are to maintain our strategic momentum, we must protect, to the extent possible, our key assets—our people and our programs—but we too will be looking at reducing our services in the new fiscal year.

Yes, we do have access to a government appropriation of a little more than $1 billion but we also have a mandate and a footprint like no one else. And, unlike all of our competitors, CBC/Radio-Canada has no access to the capital markets or to commercial borrowing. Private broadcasters have the financial flexibility that comes from their sources of capital. In a cyclical downturn, they can effect some changes by smartly managing their balance sheets and lines of credit.

As a Crown corporation, CBC/Radio-Canada has no access to this type of borrowing so, when we lose a dollar of revenue, we must cut a dollar of expenditure or postpone the expenditure to next year in order to balance our budget. Contrary to what you read in The Sun newspaper chain, we are not begging for more money. We are trying to manage ourselves out of the current economic mess. To do that, we need the co-operation of government.

We have asked government to help us with some financial flexibility. How could that be done? The government could authorize a line of credit that we would, of course, be required to repay on a timely basis. Or the government could agree to bring forward our appropriation so that we can, in effect, borrow money from our level of appropriation in future years in order to pay downsizing costs in 2009-2010, and then reduce proportionally, over several years, the level of future appropriation. Another option would be to authorize the sale of some of our assets to fund our cash flow, not the best of management practices, but one that we need to consider. All of these options cost the government no more dollars than those they would normally invest in CBC/Radio-Canada.

But, even with increased flexibility, we will still face difficult challenges. We estimate our advertising revenue next year will remain over $60 million behind our budget for the current fiscal year; this despite increases in market share in both English and French television services. Our miscellaneous revenue—commercial revenue from sources other than advertising, which amounts to about $250 million annually—will also come under pressure. Expenses related to improving the quality of our programming are fixed and will rise this year by $50 to $60 million. And a combination of government funding reduction, changing regulatory requirements, the gap between Treasury Board salary funding and actual increased salary costs and aging infrastructure will also increase pressure by $15 to $25 million. Simple belt-tightening will not overcome these challenges. We will need to go much farther.

We will, of course, look at every option to increase our revenues to minimize the impact on our programs and our people but the most effective measures, like (a) downgrading or selling parts or the whole of some of our TV or Radio services, (b) increasing the advertising we accept on the air, or (c) shrinking our geographic coverage of the country by consolidating local stations, would change the very nature of our service to Canadians. Nonetheless, these are some of the scenarios we are analyzing in the next days as we finalize our plans for our next fiscal year, which starts on April 1, 2009.

As you will have read this morning, there are reports that the Prime Minister's Office has said there will be no extra money for CBC/Radio Canada. And I actually agree with that in the current environment. But as I have explained, I am not looking for extra money. What I am looking for, as the President of CBC/Radio-Canada appointed by this government, are the same tools that others in the industry have to manage the taxpayers' investment in Canada's largest cultural institution through this unprecedented period. I have asked for a meeting with the Prime Minister to explain the impact of this decision on our services. I will also continue to work collaboratively with the Minister of Canadian Heritage and his department to protect Canada's cultural assets. I talked to the minister yesterday and have a meeting scheduled with him next week.

Like many other CEOs in these times, I am facing choices very different from those I had hoped to face when I accepted this job. The distance between what I think CBC/Radio-Canada should become and the stark choices I have laid before you is very large. But that is where we stand at the moment.

Again, I say: "We can't be all things to all people. We simply don't have the resources, nor should we. We must focus where we can be most effective—as a content company, with Canadian programming, a leader in new media, and deeply rooted in the regions."

I'd like to leave you with a final question. In a world of infinite media choice, do you think that this country needs CBC/Radio-Canada?

Canada is a vast nation of widely dispersed regions, each with unique characteristics and needs.

At the same time, Canada is also becoming increasingly ethnically diverse: visible minorities already make up almost 50 per cent of the populations of Vancouver and Toronto.

So what brings an increasingly diverse nation together? What helps Canadians learn from and about one another?

This is the unique role of the national public broadcaster.

CBC/Radio-Canada reflects a diversity of voices and perspectives, helping Canadians form their individual, social and political identities.

It helps counter the risk of social diversity becoming fragmentation and isolation. We offer a unique public space where Canadians can connect with each other, the country and the world.

Our content helps audiences understand and participate in what it means to be Canadian.

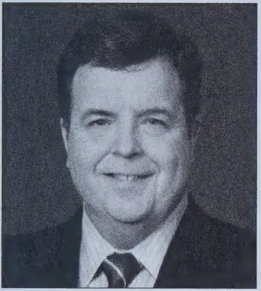
And by giving us a way to learn about and from one another, it enriches our democratic and our cultural life; it is, in fact, essential.

Not bad for $34 per Canadian per year, is it? Think about this as we petition the government to provide us with some financial flexibility.

Thank you.

The appreciation of the meeting was expressed by Tim Reid, Director, Business Development, ZED Financial Partners, and Director, The Empire Club of Canada.

Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye, and Hubert T. Lacroix, President and CEO, CBC/Radio-Canada.



March 3, 2009

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

The Hon. Dwight Duncan

Ontario Minister of Finance and Minister of Revenue

ONTARIO'S FINANCIAL SITUATION

Chairman: **Helen Burstyn**
President, The Canadian Club of Toronto

Head Table Guests

Chris May, Director of Government Affairs, Institute of Chartered Accountants of Ontario, and Director, The Canadian Club of Toronto; Doug Morris, President, Morris Glass and Windows/Humidity Solutions, and Director, Empire Club of Canada; John Manley, Senior Counsel, McCarthy Tetrault; Doug Turnbull, Deputy Chair, TD Securities; Jim Hinds, Chairman, Irish Line Capital Inc.; Tim Hodgson, CEO, Goldman Sachs Canada; Wayne Arthurs, Parliamentary Assistant to the Minister of Finance, MPP, Pickering-Scarborough East; Rebecca MacDonald, Chair and CEO, Energy Savings Income Fund; Peter Wallace, Deputy Minister of Finance; and Jo-Ann McArthur, Principal, fisheye, and President, The Empire Club of Canada.

Introduction by Jo-Ann McArthur

Dwight Duncan is an experienced, respected and accomplished politician—a combination that is not common in one who is nowhere near being eligible for senior's discounts.

Minister Duncan's steady hand on the tiller, and the respect he has earned from colleagues on both sides of the legislature, will serve him well as he guides the province through the global economic upheaval in his role as Minister of Finance for the province of Ontario.

Being a finance minister can be a lonely job. But this minister is never alone. He is a team player and a team builder. A person who listens and a person who leads. A strong and effective advocate for the province, and for his constituents alike.

He is a proud, life-long resident of Windsor, and his riding, Windsor-Tecumseh, is in the heart of the most important trade corridor in North America.

It is also one of the ridings in Canada that is being particularly hard-hit by the economic downturn, which is taking a heavy toll on the automotive and manufacturing sectors.

The minister last spoke to a joint meeting of our two clubs last March, the day after he presented his 2008 budget. That seems a lot longer than 12 months ago, given all the upheaval in the world since then.

When he joined us again at the Canadian Club a few months later, in October, he noted that the economic challenges facing Ontario, and indeed the world, are "real and directly affecting our families and our businesses."

That was certainly true in October, and even more so today.

Deficits and falling revenues have become the new normal for provincial and national economies, including those once awash in surpluses. Even the most prudent governments and savvy investors are seeing a stunning reversal in their financial fortunes.

Warren Buffet recently advised in his letter to shareholders that Berkshire Hathaway's 2008 net income was only $4.99 billion, down from $13.21 billion the year before.

Automotive giant Ford, which probably has the strongest balance sheet of all the North American car companies, lost US$14.6 billion last year. But its losses paled next to those of GM, which posted a whopping $31-billion loss.

Then there's the $1.75-trillion deficit projected for the U.S. economy this year. For many of us, it's hard to picture how many zeros that involves and how deep into the minus column that plunges this wounded economic superpower.

All this puts sobering perspective around the prospect of a multi-billion-dollar deficit in Ontario.

Over the past few months, Minister Duncan, together with his colleagues in the McGuinty government, has provided considerable economic stimulus for the Ontario economy. And he has prepared us for more difficult times ahead. Today, he will offer us some further thoughts in this regard as the next provincial budget approaches.

Please join me in welcoming back to the Canadian Club and the Empire Club, the Honourable Dwight Duncan.

Dwight Duncan

Thank you, Helen for that kind introduction. I'm very pleased to be here today and to see so many of you.

It's funny how much more popular finance ministers get during an economic crisis. As Will Rogers once said, "Popularity is the easiest thing in the world to gain and the hardest thing to hold."

I am fortunate to have one of the most interesting and challenging jobs you could imagine.

Frankly though, the challenges that I face as finance minister aren't nearly as daunting as those for families who lose a job. Those are the real challenges, real impacts.

Ontario, like the rest of the world, is grappling with this reality.

The International Monetary Fund (IMF) says, "The global economy is facing its worst crisis in 60 years."

The perfect storm we are living today has been brewing for some time. As far back as 2006 our government was talking about the gathering clouds of a slowing U.S. economy, the rising price of oil and a high Canadian dollar. All these factors contributed to the global storm that hit so hard in late 2008.

Now, each and every province is having to cope with forces beyond their control. The order of magnitude and challenges vary, yet the bottom line remains the same: the economic and financial crisis reaches every part of Canada. As an M.P.P. from Windsor, I can tell you, this has a very real impact on our families and communities.

Here, in Ontario, we've been preparing. We've been investing in the foundations of a strong economy since we came to office. Over the past five years, the McGuinty government has invested in a healthy, productive economy.

Study after study has demonstrated the strong and positive impact of universal health care and public education on productivity and competitiveness. Healthy workers go to work every day. Investors look for jurisdictions with public health insurance; it's a crucial part of investment decisions.

In education we are helping to prepare our very youngest for the economy of the future. The cost-benefit is clear: good early education has measurable, long-term pay-offs for the economy. Postsecondary education also creates opportunity and is an important contributor to long-term economic growth. A well-educated work force is more productive, earns more and is more innovative.

We've shored up these fundamentals to help Ontario compete both now and in the future.

In 2007, our manufacturing and forestry sectors were struggling and Ontario's overall economy was sluggish. This reality was emerging across North America and around the world.

Our government needed to take immediate action to respond to the prevailing economic conditions. That's when we launched our five-point economic plan to increase competitiveness. The five-point plan brought to life a number of stimulus measures which are now bearing fruit. This plan, the first of its kind in Canada responding to the current downturn, has invested the equivalent of more than 1 per cent of GDP.

In 2008–09, we invested nearly $10 billion in infrastructure, creating about 100,000 jobs. Over $7.5 billion of that investment is on projects that are now underway.

We also supported innovation and cut business taxes. We put substantial resources into training and retraining to help Ontarians prepare for the ever-changing global economy.

We have also strengthened our partnerships across the board—with municipalities, with the federal government, with the Aboriginal peoples of Ontario and with our partners in key economic sectors.

This is the foundation that we will build on in my upcoming budget.

Over our first mandate and the first year of the second mandate we have balanced our budgets, paid down debt and made historic investments in the foundations of our economy—health care and education.

Over the past four years, the province of Ontario has witnessed unprecedented growth in revenues. Spending growth never exceeded revenue growth on our watch. The same cannot be said for our predecessors.

We invested in Ontario while maintaining impressively low debt-to-GDP ratios.

Since we balanced the budget three years ago, we've paid down debt by $3.2 billion and reduced Hydro-stranded debt by $3.3 billion all the while reducing our net debt-to-GDP ratio.

For three years we presented balanced budgets. We were in balance when this financial crisis hit last year.

The global situation has changed everything for everyone. It is no longer business as usual. Governments around the world are wrestling with this enormous challenge.

Ontario's capacity to contend with this reality is limited by our relative size. We are a sub-national government in a big global economy.

It took time and global factors—very significant global factors—to get here, and it will take time and co-operation among all governments to work our way out.

As I mentioned earlier, we have been building opportunity and strengthening our economy for some time. Now though, things are dramatically different and we must respond to this new reality. There is no simple fix. Managing through today's challenges is not good enough. We must lead for the long term. We have to look at what we can do right now to address the most pressing impact of the global crisis and job loss. At the same time we have to look at how we make sure Ontario is ready for the next generation of growth.

Governments must create a climate for job creation and an environment for competitiveness. So that is what we will do.

The McGuinty government's strategy will lead this province through to recovery and beyond.

On March 26, I will present the government's next budget. The budget will include a short-term stimulus package for job creation and a strategy for long-term competitiveness and growth. Our strategy will stimulate immediate economic activity and create jobs today.

Leading experts are clear that economic stimulus can be helpful, when it's strategic, targeted and timely. Fiscal stimulus alone cannot resolve a recession.

Our strategy will be more comprehensive than that. Our strategy will be about getting Ontario ready for the future: where our economy continues to create jobs, captures the next generation of growth, and is a world leader in the new economy.

Specifics will come on budget day. If I tell you today, I would have to shred you. You can expect continuing investments in infrastructure, in people, in ideas and in the green economy.

A recent Brookings Institute study points out that infrastructure development not only creates jobs, but also builds the job opportunities of tomorrow.

We will continue to invest in skills and training. The dynamic nature of the global economy means our workers must be prepared for lifelong learning. Training is the best way to help people get better paying jobs in industries on the rise.

Bill Gates recently pointed out that improving education is the key to leadership in business and innovative research.

The government must constantly work on being more effective and more productive. We'll spend smarter and continue to practice prudent financial management. We must never hinder growth through cumbersome, unnecessary regulation. We will redouble our efforts on smart regulation, never sacrificing the broader public interest. We will continue to encourage innovation.

The green economy is very much a part of Ontario's long-term plan. Just two weeks ago, my colleague George Smitherman introduced the Green Energy Act. This initiative will make Ontario a world leader in renewable energy, all the while creating 50,000 jobs in the next two years. As a former energy minister, I am convinced that this is the way to go. Innovation like this will set Ontario apart—and give us a competitive edge.

I am proud to say that the McGuinty government has been lowering business costs for some time. In the last budget we provided tax relief in the form of a Capital Tax cut and retroactive elimination. We extended the acceleration of capital cost allowances and we accelerated Business Education Tax (BET) rate cuts.

Now we are looking to do more. We are looking to do more to help Ontario businesses create jobs as well as supporting the research and development that create long-term growth. Greater tax competitiveness makes it easier to do business, to grow and to employ people.

Ultimately, this year's budget will prepare us for the next generation of growth. The budget will build on the investments we have already made and it will outline our plan for innovation and competitiveness for the future.

Ontarians can expect a budget that helps create jobs today while strengthening our competitive edge for tomorrow.

Around the world, and across Canada, governments are struggling to maintain services and help mitigate the impact of a global economic storm. Ontario is no different. As revenues have declined and as the global crisis has hit our businesses, governments around the world are falling into deficit.

Last summer, Alberta expected an $8.5-billion surplus, but just recently announced an anticipated $1.4 billion deficit in this year alone.

Last fall, the Government of Canada was predicting years of surpluses, but by January, they acknowledged a deficit of $64 billion over the next two years.

There have been many reports out lately speculating on the size of Ontario's deficit. There have been quite a few numbers flying around—almost all double digits. We'll report our best estimates in the budget. I can tell you now that the combined Ontario deficit over this year and next will be in the range of $18 billion.

In light of the size of our revenues and the proportion of our deficit to GDP, it will be in line with Canada and other comparable jurisdictions. Using these measures, it will be well below the U.S., and certainly lower that Ontario experienced in the early '90s.

A deficit is not something that we take lightly. It is, however, a necessity in these challenging times. When I present our numbers in a few weeks, I will present a plan and a timeline to move Ontario out of deficit. We have demonstrated over the past five years our commitment to fiscal responsibility and have a proven record of deficit reduction.

This experience and commitment will be even more important in the coming months and years.

Our budget will be about growth. Our budget will be about job preservation and creation now, as well as strengthening Ontario's competitiveness for tomorrow. Our budget will be about responding to today's challenges and leading Ontario to the next generation of growth. Our budget will be about competitive government and responsible fiscal management. Our budget will lead Ontario through financial recovery and back to economic growth.

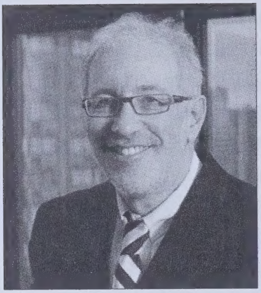
We are going to come through this. It's going to require tough choices. It's going to require all of us working together. It will take time. It will require governments working together at all levels and around the world. It will take hard work and it will take a fundamental shift in how we compete here in Ontario and abroad.

I'm confident that in a few years we'll be able to look back on this time and be glad that we made the right choices at the right time and became stronger for it. I am confident because of what we have been able to do in the past. I am confident because of the skills and productivity of our work force, the creativity of our businesses, and the entrepreneurial spirit that permeates this society.

Ontario's economy will come through this bigger and better and stronger. Our children will inherit a province with a high standard of living, a compassionate approach to the vulnerable and unbounded opportunity to achieve all they set their minds to.

Thank you.

The appreciation of the meeting was expressed by Jo-Ann McArthur, Principal, fisheye, and President, The Empire Club of Canada.



March 5, 2009

Sheldon Levy

President and Vice-Chancellor, Ryerson University

RYERSON AS A CITY BUILDER

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Charles S. Coffey, OC, Chair, Canadian Centre for Diversity, and Director, The Empire Club of Canada; Natasha Selvaraj, Grade 12 Student, York Mills Collegiate Institute; Rev. Michael Clarke, Associate Priest, Christ Church, Brampton; Chris Nguyen, Founder, Jobloft.com, and Vice-President, Product, onTargetjobs Inc.; Adam Froman, President and CEO, Delvinia Group of Companies; Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada; Matt Hornburg, Partner and Producer, Marble Media Inc.; Hossein Rahnama, Computer Science Instructor and PhD Candidate, Ryerson University; and Paul Douglas, Vice-President, Affinity Market Group, TD Insurance Meloche Monnex.

Introduction by Jo-Ann McArthur

In 1971 the futurist Alvin Toffler predicted that the information age would force universities to accommodate an “accelerating pace of change,” prepare for “life-long learning,” and even consider “learning contracts” instead of the conventional degree. I think Toffler had one heck of a crystal ball!

So, how do you improve the ability of students to collaborate with knowledge-creating communities that know no geographical borders?

What constitutes literacy and critical-thinking skills in the digital age?

Most universities have not fundamentally changed since 1971 and Toffler's prediction.

I say most because I've watched Ry Hy be transformed into a city builder and thought leader. What's good for Ryerson has also become what is good for Toronto.

Appointed President of Ryerson University in 2005, Sheldon Levy is overseeing a major campus expansion, including the development of the fabled Sam the Record Man site in downtown Toronto. He was educated at Downsview public and secondary schools and earned his master's degree in mathematics from York University.

The Board of Ryerson has already unanimously and enthusiastically agreed to reappoint him for a second term taking his continued leadership into 2015.

Please join me in welcoming Sheldon Levy to our podium.

Sheldon Levy

Good afternoon ladies and gentlemen. It's great to be here today.

I am delighted that so many distinguished guests have joined us this afternoon. I would like to particularly welcome His Worship Mayor David Miller and Reza Moridi, Parliamentary Assistant for the Ministry of Training, Colleges and Universities. I am also pleased to see many members of the Ryerson community in the room: our Chancellor Raymond Chang; the Chair of our Board of Governors, Peter Lukasiewicz; and students, faculty and staff from across the university. Thank you so much for being here.

Ever since I came to Ryerson in 2005, I have been fascinated by the connection between universities and cities.

At Ryerson, we have buildings both east and west of Yonge Street, in the neighbourhood of the Eaton Centre, Bay Street, and Dundas Square. We have no ring road around the campus and no boundary in the traditional sense between the university and the city streets.

Every day, this wonderful experience makes me realize that the university has a responsibility to be a city builder. We can be the catalyst for bricks and mortar. But we also have to be proactive city builders for our economy, in wealth creation and jobs.

We can do this by securing the world's best talent in areas where we have strength, and the potential to compete on a global level.

We can do this by partnering with other universities, with industry, and with government at all levels. Most of all, we can do this by having the ambition to succeed—and the courage to undertake risk and culture change.

Back in March 2006, I gave a speech called The University as City-Builder. The main theme was "what is good for Ryerson is good for Toronto." At the time I was focused on finding more academic space and, to be frank, raising the quality and physical attractiveness of our surroundings.

I was also very keen on making Ryerson more visible and, in the process, encouraging some upscale development. We already had a vibrant and diverse community, and I wanted the physical reality to match the intellectual spirit.

In that 2006 speech, city building was mostly about bricks and mortar. And I am pleased to say we have made a lot of progress.

First, the Ryerson Master Plan. Last year it was completed and approved by the Board of Governors. It was prepared by an internationally renowned master planning team: Kuwabara Payne McKenna Blumberg Architects and Daoust Lestage, with Greenberg Consultants and IBI Group. Everyone was involved: our students, the Ryerson community, and our neighbours.

Second, Sam's. We bought Sam the Record Man on Yonge Street, and also the site where A&A Records and

Future Shop used to be. With support from the provincial government, we are building a Student Learning Centre on that site—and it will be a gateway for the university.

Third, Gould Street. You might have heard about our plans to reinvent Gould Street by turning it into a pedestrian plaza with cafés, and green spaces. We are now talking with the city about how best to move this forward.

Fourth, the Ryerson Gallery and Research Centre. Designed by Diamond + Schmitt Architects, we have already started construction. The gallery will be an international academic facility for teaching, research and exhibitions. And it is home to the Black Star Collection, donated to Ryerson in 2005. This is the largest gift of cultural property ever given to a university in Canada—nearly 300,000 photographs as seen in magazines like Life and the Saturday Evening Post. The collection is so significant that the Washington Times said: "The transfer of this American photography collection to a foreign university, even one just north of the border, is a stinging loss for this country's cultural institutions." Through the gallery we will make these amazing images accessible to the public. And I want to acknowledge the support of the city of Toronto in helping us with this project.

So, a lot of progress has been made. Now let's put it all together. Imagine you are walking west along Gould Street, which is closed to traffic.

You see the gallery, and cafés, and then you turn onto Yonge Street, and see a new building where Sam's used to be, with modern and attractive retail at street level, and the Ryerson Student Learning Centre above.

When you think about city building this way, it is a picture of bricks and mortar. But when you imagine the Student Learning Centre—and research at the gallery—it is so much more.

Along with bricks and mortar, there is another kind of city building. And today I want to talk about city building in terms of the economy—knowledge, wealth creation, and jobs.

This is what city building relies on: securing the world's best talent in areas where we can compete globally—and develop strong partnerships—because our ambition has raised the stakes.

I have to start by saying that I wondered if I could give this speech as I intended, in the light of the economic downturn. But, when I thought about it, I realized the current situation only serves to invest our ideas and plans with even more urgency.

In the February issue of Toronto Life magazine there is a great article by political columnist Philip Preville. It is called The Good News About the Bad Times. The article suggests that Toronto can become a global financial power and I believe this is well within reach.

There are two insights in the article that I want to mention in particular. The first is about the decline of manufacturing. The article says, "In the new economy, Ontario doesn't make stuff anymore. We let other places do that."

The second insight is about the rise of technology. The article says the Toronto Stock Exchange is second only to NASDAQ in the number of technology firms in its listing. Taken together, the decline of manufacturing and the rise of technology represent a major shift in our culture and, he suggests, a tremendous economic opportunity.

But Preville does not believe that we are up for the challenge. He writes: "Many Torontonians like the city as it is: a big player but not a high roller, fast-paced but not hectic, vibrant but not chaotic, important but unnoticed."

And he asks a pointed question that basically says our future is up to us. And that question is: "Does Toronto want to play in the big leagues or not?" The Ryerson answer is a definite "Yes!" And I have reason to believe it is also the answer all of us want to give.

The keys to success, as I have said, are attracting the world's best talent in areas where we have the potential to lead, exceptional public and private partners, and raising the bar with very high ambition.

In Ontario we are moving away from manufacturing, and into technology and I would refine this by saying we are moving into digital media.

Last year, when the provincial government released its Innovation Agenda, it identified digital media and ICT, or information and communications technology, as a priority for investment.

The report recognizes that Ontario is a global leader in these industries. There are over 5,000 digital media and ICT companies in Ontario—Canadian companies like Rogers, Research In Motion, Open Text, and Mitel Networks; foreign multinationals like IBM, Microsoft, Cisco, Dell, and Motorola; and a new generation represented here at the head table with companies like marblemedia, onTargetjobs, and Delvinia, and leading-edge research and teaching.

The Ontario entertainment and creative cluster is the third-largest in North America after California and New York. And the global market for digital media was projected to reach $1.5 trillion by this year.

So when we think about city building as an economic activity, we have the foundation already in place.

I want to recognize there is strength and innovation in a number of areas. I know Ryerson is not alone in developing other initiatives designed to move Ontario and Canada forward in the world economy.

But today I am focusing on digital media because it is a major area where I believe we can bring together the world's best talent. We can partner with universities, business and industry, and government at all levels. We can be confident that our ambition is well-founded, and it is worth taking the risk to change our culture.

Part of that culture change is among the universities themselves. While we compete with each other, we also have world-class strengths we can combine to take Ontario and Canada forward in the global economy.

For example, we have OCAD, a university renowned for creative design and York University, our leader in advancing multidisciplinary study and collaboration.

In fact, in a newly formed partnership, the University of Waterloo, the University of Toronto and Ryerson are talking about collaborating to create a real force in digital media together, visibly centred in downtown Toronto.

And this is just a beginning. Our strategy will focus on attracting the strongest researchers and innovators at our universities and others in Ontario, Canada, and internationally. The partner universities will develop a graduate program that will train the world's best students to design solutions for advancing the digital economy.

These students are the first generation growing up completely digital. So they bring a measure of real comfort and confidence to problems that rely on digital tools for a solution.

Our approach is going to be a practical one, where industry, business and government tell us what the economy needs. Our goal is to devise made-in-Toronto solutions for i-banking, i-business, i-news, i-industry, i-medicine, and i-everything.

Maybe the best way to differentiate what we are planning to do is to use a manufacturing analogy. If we are okay with implementing solutions designed somewhere else, then a branch plant mentality is enough for us. But our ambition—and the reality we are working toward—is that Toronto will design the solutions, that will be implemented by others.

Digital media is highly competitive. So there is risk, and it will be a challenge. At the same time, I have to ask myself, "Why can't the next Silicon Valley be in Toronto?"

And the answer is, “Absolutely, it can happen here.” But we have to be the designers, not just the implementers.

It means engaging the world’s best minds on the most challenging and difficult problems that have yet to be solved—and, to me, one of the most exciting parts of this is that our very brightest young people will be taking the lead.

It means industry creating an environment where our talent has a place to land—so when we graduate designers who can keep Ontario and Canada several leaps ahead, they do not go elsewhere, because “here” is the most exciting place to be. This is the level we want to achieve—and I believe we can.

But, and I keep coming back to the question in Toronto Life, we have to want to play in the big leagues.

We are at a crossroads and it is not easy. If you simplify our choices, we have to recognize that health and manufacturing are getting the most attention right now.

All of this is good and necessary, but it does not provide for our children and their future.

I believe we have to adjust the balance to see the importance of education and digital, and Ryerson University is urging that shift in culture.

With the foundation and strength we have, we can realistically formulate a strategy to:

- attract the world’s best in digital media;
- with partners who are here, right now;
- and know our ambition is worth the leap.

Because a leap is what we need.

I am a mathematician, and in mathematics you can go forward in various ways. One way is linear—step by step. It’s logical and safe, and it gets you there. Or there is something else: a discontinuous function, which means today at 9:01 you’re here and at 9:01 you are somewhere else because you’ve taken the leap. A discontinuous function makes people nervous—but a linear process of one hundred steps means that 50 people get there before us.

For my university, my city, my province, I want more.

I have very high ambitions and I know that Mayor Miller and Premier McGuinty share my enthusiasm.

I have confidence our partnerships would be vigorous and productive. And I believe we can invite the world's best to join us, because some are already here. It is a prescription for economic success.

And this is where city building links the economy back to bricks and mortar. Anyone who has been to New York city lately knows the Apple store on 5th Avenue. Hundreds of thousands of people gravitate to that store. It is a magnet.

Imagine if we had this on Yonge Street. Think about taking the walk I mentioned earlier in this speech. You are on the Ryerson campus, some time in the not-too-distant future. You are walking along the pedestrian plaza on Gould Street, past the gallery and the sidewalk cafés and around the Sam's corner. There before you, all along that block, is the Toronto digital destination. On Yonge Street, from Gould in the south to Gerrard in the north, we have a corridor of high-end digital stores all in one cluster and the block hums with activity.

This is because we have turned our ambition into reality. It is all possible with the right choices. We can choose to be satisfied with being "important but unnoticed," or we can play in the big leagues.

There is no question at all that Ryerson's decision is to "go pro" because this is what city building means to us. It is quality bricks and mortar for sure. But it is just as much about city building in terms of education, the economy and jobs. And these elements of city building are closely inter-connected.

It is all doable! We have great university and industry partners. We have support in principle from the city, province and nation. And now we need to take the leap—to bring the world's best talent to Toronto in an area where we can leverage strength into a global economic position.

I have confidence, courage and faith we can make it—and we are all partners in this important goal.

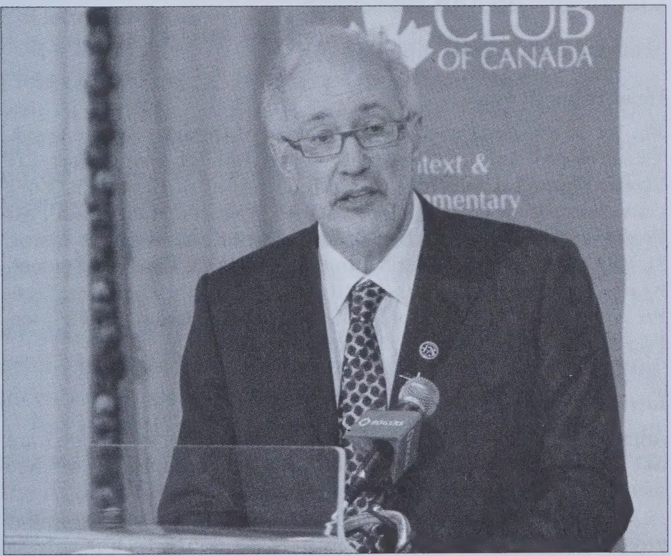
Tomorrow is Toronto's 175th anniversary, and I think it's the perfect time to express our renewed confidence in our city.

At a time when the downturn in the economy asks us to think hard about our priorities, we can help ourselves by working together to determine our own future and success.

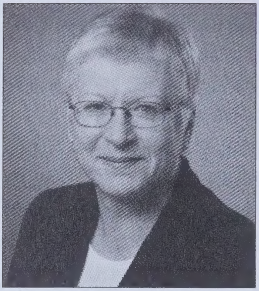
Please join me in making digital a priority, and having the courage to make Toronto a really great city of the world.

Thank you.

The appreciation of the meeting was expressed by Sylvia Morawetz, Principal, S.A.M. Solutions, and Director, The Empire Club of Canada.



Sheldon Levy, President and Vice-Chancellor, Ryerson University.



April 16, 2009

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Sheila Fraser

Auditor General of Canada

ACCOUNTABILITY IN THE PUBLIC SECTOR: AUDITING CANADA'S ECONOMIC ACTION PLAN

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Jim McCarter, Auditor General, Province of Ontario; Bonnie Lysyk, Vice-President and Chief Internal Auditor, OMERS; Fred Gorbet, CIT Chair, Financial Services, Schulich School of Business, York University; John C. Koopman, Partner, Spencer Stuart, and Past President, The Empire Club of Canada; Grant Kerr, Associate Pastor, St. Paul's United Church, Brampton; Andrea Watt, Grade 12 Student, North Toronto Collegiate Institute; Anil Mathur, Senior Vice-President and Chief Auditor, CIBC; and Janice Madon, Senior Vice-President and Chief Auditor, Manulife Financial.

Introduction by Jo-Ann McArthur

Adjectives like fearless, truth fighter, no-nonsense, fair-minded are not adjectives usually associated with accountants, no offence meant to any present in our audience today.

Wikipedia says that she is debatably history's most popular government accountant, due in part no doubt to her role in unveiling the Sponsorship Scandal—a scandal where people actually were held to account for their actions. And Canada's admiration for Sheila Fraser was shown when she was named the 66th Greatest Canadian of all time in a CBC poll. Again—pretty high praise for an accountant.

To borrow a hockey analogy (as rumour has it that we're in the hunt for the Stanley Cup in some parts of this country) she's tough in the corners, regardless of who is in power. She remains accountable only to Canadians and for that we are grateful to have Ms. Fraser in our corner, fighting those battles.

The phrase, "I'm having a Sheila Fraser moment," has entered the lexicon and is used upon discovering that what one promised to do does not measure up to what one actually did.

No one has ever upheld this position or held the government to account in this way. She has set the new standard for future auditor generals. And I have to add, for what it's worth, she is the first woman to hold the position.

Please join me in welcoming Sheila Fraser to our podium today.

Sheila Fraser

Introduction

Good afternoon. Bonjour.

It's a pleasure to address this meeting of the Empire Club of Canada, and I thank you for inviting me to join you. It's also a tremendous honour. Given the many prominent Canadian men and women who have participated in this respected forum, I find myself in very distinguished company indeed.

The world and Canadian economies do not form a very cheerful backdrop for my talk today. Every time we open a newspaper, or tune in to radio, TV or online newscasts, we encounter doom and gloom on the economic front—grim forecasts, reports of company closures, mounting investment losses, and a growing list of layoffs.

But it's a backdrop that provides valuable context for some aspects of the legislative audit work of the Office of the Auditor General of Canada.

Canadians are worried about their jobs. They're worried about being able to maintain their standard of living and assure their families' economic well-being. And, increasingly, they're worried about how governments are spending their tax dollars. In today's economic climate, Canadians are demanding accountability from their federal government.

Like other national governments, Ottawa has responded to the global recession by introducing a package of spending measures aimed at stimulating the Canadian economy. On January 27, the federal government tabled its 2009 budget and Canada's Economic Action Plan. Under the plan, it will provide almost $40 billion in cash support, equivalent to 2.5 per cent of our GDP, to the Canadian economy over the next two years.

Today, I want to illustrate the importance of audit and accountability by speaking about our role in helping Parliament hold the federal government to account for its recently announced Economic Action Plan. Before I do, however, let me tell you something about our office and how it works.

Role of the Office of the Auditor General of Canada

The first independent auditor general of Canada was appointed in 1878. Today, our office has an annual budget of $82 million and a staff of more than 625.

While the focus of the office has evolved over the past 131 years, one thing has remained constant: We continue to report to Parliament on how the federal government spends taxpayers' money.

Independent from government, our office reports to Parliament, and our reports are tabled in the House of Commons.

Members of Parliament are responsible for holding the government accountable for its actions. Our role is to provide them with independent, fact-based and reliable information, and assurance to help them do their job. Through our audits and recommendations, we also contribute to improved government management.

We audit federal departments and agencies, and most Crown corporations. We also audit Canada's three territorial governments and their related agencies. And, we are currently the auditor of a UN agency, the International Labour Organization.

Although there are some variations, we basically carry out two types of audits: financial audits and performance audits.

Financial Audits

On the financial auditing side, we examine the summary financial statements of the federal government and of Canada's three territories.

We also provide audit opinions on the financial statements of over 130 federal and territorial organizations, including Crown corporations.

Our opinion indicates whether the financial statements are fairly presented in accordance with generally accepted accounting principles for governments.

Performance Audits

Our performance audits, meanwhile, look at the government's management practices, controls and reporting systems, with a focus on results. We seek to determine whether government programs are being managed with due regard for economy, efficiency and environmental impact, and whether there are measures in place to determine if the programs are achieving their intended purpose.

Each year, we produce between 25 and 30 performance audits.

We do not comment on government policy. We do not judge whether programs are delivering value for money or whether policy choices are appropriate. That is Parliament's job. Rather, we tell parliamentarians how well government programs are being run and whether they are achieving their intended results.

We also have a specific environment and sustainable development mandate. In 1995, Parliament created the position of Commissioner of the Environment and Sustainable Development within our office. As part of our performance audit work, the commissioner has a team that audits environmental and sustainable development issues, monitors how well the federal government is meeting its commitments to sustainable development, and administers an environmental petitions process.

Auditing the Economic Action Plan

This, then, is the framework for our upcoming audit work on expenditures under the Economic Action Plan.

Our audit role reflects parliamentary and public expectations that the $40 billion the federal government is spending under the plan will be managed well, and used for the purposes intended.

Certain initiatives announced by the government will be covered in our financial audits for the Public Accounts of Canada and Crown corporations. For example, the $4-billion auto industry bailout, and authority for the Canada Mortgage and Housing Corporation to purchase up to $125 billion of insured mortgages.

But the scope of our audit work related to the Economic Action Plan will go well beyond that.

I appreciate that government managers will face challenges in implementing the plan.

They will need to balance the government's wish to move quickly with the requirement to exercise due care. This will require a sound analysis of risk, and appropriate delivery mechanisms commensurate with those risks.

In early March, I wrote to the Secretary of the Treasury Board outlining the criteria that we would consider in future audit work around the Economic Action Plan. (A copy of that letter is available on our Web site.)

The criteria I outlined are not new or unique. In fact, they are the same ones that are used to audit any government program. Among them are appropriate planning, risk management, management systems and practices, well-defined eligibility and selection criteria, and compliance with existing legislation.

However, a few key steps are necessary to ensure that programs under the Economic Action Plan are appropriately planned and monitored.

First, there is the question of program design—notably the degree of flexibility and the specificity of eligibility criteria. Criteria need to be established up front and need to be clear, well-defined, well-documented, commonly understood, and consistently applied to ensure that only eligible projects are funded.

Since most expenditures will likely take the form of transfers to other governments or corporations, the federal government must adhere to its own Policy on Transfer Payments. The choice of transfer mechanism, and the degree to which conditions are imposed, should be appropriate to the associated risks.

Second, the co-ordination and integration of activities will present challenges both within and across levels of government. The federal government will have to work very closely with the provinces, territories, and communities. It must be able to work effectively with these partners to provide timely and useful information for decision making.

Finally, to achieve the intended outcome, the government needs to identify at an early stage how it defines success, and the kinds of information needed to measure and report on the impact the stimulus spending has had; that is, what it achieved.

Need for Clear Rules

In all our audits, we base our criteria on the government's own rules, as set out in legislation or in administrative policies. As I have already mentioned, it's the government's responsibility to spell out how programs will be run, and to identify expected outcomes and results.

I recognize that, in response to some of our past audits, the government introduced more rules, procedures and processes.

We have long argued that it doesn't need more rules; it simply needs to adhere to those that already exist. In some cases—for example, where the risks are relatively low or timing is important—it may actually be best to have fewer and clearer rules. The government does, however, need to ensure that the rules in place are respected.

That said, we are not against the government changing some rules, procedures and processes if there is a good reason. Of course, if the rules change, we would expect the government to document them clearly, and to tell managers what they can and cannot do.

In this way, the Economic Action Plan represents an opportunity for the government to review its processes and rules, and build some needed efficiency into its operations. My office is pleased to support this process.

Conclusion

I believe the work of auditors serves Canada well.

While it is the job of my office to be critical, ultimately I believe we have a constructive role to play. We help maintain the confidence of Canadians in their government. In so doing, we help build stronger public institutions, a better country, and a healthier democratic society.

We view our audits as learning tools. And while we do point out where things go wrong, we also try to suggest improvements and promote good management practices.

In the end, what counts is acknowledging mistakes and inefficiencies, and then putting a process in place to fix them. This is what we try to encourage.

Our yearly Status Reports show that government management does improve.

Status reports are a way for us to find out—and for parliamentarians to assess—whether government organizations are meeting commitments they made in response to the recommendations we made in previous audits. Our latest Status Report was tabled on March 31, and I was pleased to note that of the seven topics revisited this year, we found satisfactory progress in five.

I feel very privileged to hold this office. It gives me an opportunity to try to make a difference in the lives of Canadians.

In closing, I want to again emphasize that it's not the job of the Office of the Auditor General of Canada to comment on policy choices. Our role vis-à-vis the Economic Action Plan will be to tell Parliament how well its decisions were implemented with respect to the government's stimulus package.

Thank you. Merci.

The appreciation of the meeting was expressed by John C. Koopman, Partner, Spencer Stuart, and Past President, The Empire Club of Canada.

Sheila Fraser, Auditor General of Canada, and Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye.

May 6, 2009

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Margaret Trudeau

Valerie Pringle

Broadcaster

CHILDREN'S MENTAL HEALTH WEEK

Chairman: **Helen Burstyn**
President, The Canadian Club of Toronto

Head Table Guests

Jo-Ann McArthur, Principal, fisheye, and President, The Empire Club of Canada; Nahla Hanna, Managing Director, Marsh; The Hon. Debra Matthews, Minister of Children and Youth Services, and Minister Responsible for Women's Issues; Howard Brown, President, Brown & Cohen Communications & Public Affairs, Inc., and Director, The Canadian Club of Toronto; Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada; Tony Diniz, Executive Director, Child Development Institute; and Glen Newby, President, Children's Mental Health, Ontario.

Introduction by Helen Burstyn

In 1971, at age 22, Margaret Trudeau became the youngest First Lady in the world when she married Canadian Prime Minister Pierre Trudeau. She was immediately thrust into the limelight, becoming one of the most watched and talked-about women in the country. She led a rich and interesting life, travelling the nation and the world extensively, and raising three sons.

But life in the public eye was not entirely satisfying, or entirely her own. When asked about her role as the wife of the most prominent man in the country, Margaret Trudeau famously said, "I want to be more than a rose in my husband's lapel."

After leaving the marriage in 1977, Margaret went on to lead an even more interesting life as she became a photographer, an actress, a television host and an author of two books—"Beyond Reason" and "Consequences."

She remarried and raised two more children. More recently, she became a grandmother—and a very proud one, by all reports.

Though she has led a very public life, Margaret Trudeau has also had a very private life and, for many years, a hidden one. She has suffered from the debilitating effects of bipolar disorder for all her adult life. Now, after receiving medical treatment that has given her life balance and happiness, she is a strong and effective advocate for mental health issues, helping people overcome the stigma of mental illness and promoting appropriate treatment.

She is working with the Royal Ottawa Hospital to raise funds for their new hospital and raise public awareness of mental health issues. And she sits on the Executive Advisory Board of the UBC Mental Health Institute.

She is active in other causes as well. Margaret is the Honorary President of WaterCan, a charitable Canadian non-governmental agency dedicated to helping the poorest communities in developing countries build sustainable water supply and sanitation services.

Our other guest is also a pretty amazing woman.

Valerie Pringle is one of Canada's best-known and respected media professionals.

She started her career at age 19 as a student reporter with CFRB Radio in Toronto after graduating from Radio and Television Arts at Ryerson in 1974.

Since then, she has moved from one success to another. For many years, she was the face and voice of the CBC TV news and current affairs program, MIDDAY. She went on to co-host CTV's Canada-AM and then W-5.

Valerie has co-produced and hosted a number of documentaries for Discovery Channel, for CTV Travel and for Vision-TV. She was appointed a Member of the Order of Canada for her contributions to the communications field.

She is also very involved in a number of not-for-profit organizations. She chairs the Board of the Trans Canada Trail and is on the foundation boards of the Centre for Addiction and Mental Health, Women's College Hospital and the Canadian Broadcast Museum Foundation.

But it's not because she's an award-winning journalist or outstanding volunteer that Valerie Pringle joins us today. She is here as a mother and as a family member whose experience with mental illness is very close to home. Her daughter Catherine, now 28, has suffered from severe panic and anxiety attacks, and Valerie has been very public about their family's experience in seeking help and finding support.

Valerie and Margaret, I invite you both to please come up on stage and share with us your experiences in dealing with mental health issues.

Valerie Pringle

It is a great honour and a pleasure to be here speaking about this topic, which, as you've just heard, is very important to both Margaret and me. Margaret and I will be delighted to answer your questions.

I will start by saying we have personal stories, but we do want to get a message across and stick to the topic—children and youth mental health. We will try not to stray off topic too much. By starting, I might say it's interesting that in the introduction we heard about your bipolar disorder being with you all your adult life. But you say Margaret, as you look back now, it started earlier. Eighty per cent of psychiatric illnesses do.

Margaret Trudeau

I would suspect so. We thought the onset of my bipolar condition after the birth of my second son was post-partum depression. Then it was called baby blues. There really wasn't very effective treatment. I remember the psychiatrist wanted to get me back to being a good prime minister's wife. I sort of felt like a broken car that needed something fixed, but it wasn't the right approach.

Looking back because I am working on a book on mental health, I was probably always bipolar. The words that come to mind that my family remembers about me are vivacious, capricious, life of the party, moody, quiet, prone to tears. Bipolar is an exaggeration of emotions for those who don't understand what bipolar is. It's a chemical imbalance in the brain. There is not enough serotonin and that drives you into a deep depression. There's too much dopamine and that fires you up into the highest euphoria and for me madness. I've been there a couple of times and I never want to go back up there again. I have had to learn how to live with my bipolar condition because it is a lifelong condition.

I was raised in the fifties. I was very lucky to be born in North Vancouver to a fine father and a really good mum and I was raised well. I had four sisters. Remember in the fifties we didn't have any of the television and the toys that we have now. We were sent out to play. I played a lot. I had to eat a very strict diet of my mother's food. That was that. But she also gave us every morning (from daylight savings until the next April) a cod liver oil tablet. That's one of the things that is in my vitamin regime for my mental health. That is one of my supplements—a mega fish oil. It is very important. So I was given fish oil. I was given a balanced diet. We certainly didn't have junk food. There was no McDonald's around the corner and I had to play a lot. I was well educated of course being a Canadian girl. The schools were great. I had a good life. I think the balance of my childhood, the way that I was raised, having to do chores, having to work, having to take care of my own world in my family (we had a community in our family, a clan my father called it) helped balance me.

I do remember when I was over-emotional my mother would say, "Margaret, just go to your room. You can come out when you have a better attitude." Well I ask now what was in my little girlie room that could have helped me deal with these huge emotions that were flooding me all the time—these wild thoughts, these big, big dreams, these small worries. I was always flooded and when you get manic you are racing as well.

My sister called my mum when I first had post-partum depression and said, "Mum, one of us should go to Ottawa. Marg is in trouble. I think she needs some help." And my mum said, "You mean a psychiatrist? No, no, no. They just blame the mother." Sorry Mum. My psychiatrist does blame you because while you raised me well and you gave me a wonderful education and my IQ from my genes was very high, you forgot about my EQ, my emotional intelligence, my learning how to deal with these huge emotions that my sisters didn't seem to have and I had. I was always trying to suppress them. One of my psychiatrists told me that he felt that depression is really suppressed anger that you are not getting out. You just get deeper and deeper into feeling hopeless and unable to fight and anger actually is very good. I was never allowed to be angry. I was always told to be a pleasing little girl.

Valerie Pringle

I remember I was stunned when you told your story and came out publicly in the newspaper about your diagnosis. I was stunned that in this day and age it had taken so long. How did it take so long for you to get the proper help and treatment?

Margaret Trudeau

The head of the Liberal Party in Ontario at the time was also a psychiatrist and he wrote a very kind letter to Pierre after one of my manic kind of totally irresponsible and inappropriate and bad behaviours.

Valerie Pringle

Did it involve singing?

Margaret Trudeau

Maybe with the Rolling Stones, whatever. A lot of singing and dancing. He said that maybe Margaret might be suffering from manic depression. That was followed up with a nice meeting in a garden in Ottawa with a psychiatrist and of course he found a perfectly delightful and lovely mummy and little babies and someone who seemed to be doing just fine. I was very good at masking what was really going on, because I had been raised to be a pleasing person and to not show emotion and to not rock the boat so to speak. When I do rock the boat it is a big rock because it's not usual. I had that early diagnosis. I was even put in hospital. Pierre put me in hospital when I was his wife. I wasn't put into a psychiatric ward. It was about the time that "One Flew Over the Cuckoo's Nest" was released, and I said, "If you think I'm crazy then put me in a psychiatric ward, not this executive suite for men executives with prostate and urinary tract problems."

Valerie Pringle

Or alcoholism. They were probably tucked in there as well.

Margaret Trudeau

I tried treatment, but really the breakthrough came for people suffering from bipolar around 1985, when the first anti-depressants, serotonin-uptake drugs, were put on the market. They provided the one thing that was missing in me when I would get so depressed. I didn't even know what serotonin was, none of us did, and I didn't know why I couldn't get back on my feet when I got knocked down. I just got deeper and deeper into depression as depressed people do, pushing everybody away, blaming everybody else because of my problems. Pierre's fault. The nanny's fault. Someone else's fault. Not mine. Running away trying to escape it. Self-medicating with marijuana. Then alcohol.

Valerie Pringle

You've said that marijuana was probably a really huge mistake in terms of really harming you.

Margaret Trudeau

Oh yes. The two times I was seriously hospitalized followed quite a lot of self-medication with the magic herb. I thought I could lift myself out of the sadness, out of the depression, because it is a euphoric drug and has been our drug of choice since the sixties. It was always there.

Valerie Pringle

But it probably made things much worse for you.

Margaret Trudeau

It triggers you into mania. It has a propensity to do so. It is not a direct cause but they do say, and this study didn't come out until maybe 10 years ago, that there really is a link between cannabis and mania. Obviously there is a link between cocaine and mania because any stimulants will push you up, but we thought that marijuana was a sort of benign happy choice instead of alcohol. It is not a happy choice at all.

Valerie Pringle

Can you take marijuana or alcohol or anything now?

Margaret Trudeau

Oh yes. All of it.

Valerie Pringle

That's really good news.

Margaret Trudeau

I'm human. Everything in moderation. Alcohol is no problem because I have never had an alcohol problem. The problem is not the alcohol. The problem is not the drugs. Finally they got it right and started putting mental health and addiction together in one place instead of saying, "Your problem is that you are an alcoholic," not "Your problem is that you have a mental issue that you are not treating and you haven't faced and you are trying to self-medicate and drown your problems with alcohol or escape it. It's just your way out." Some people use food. Some people will get so overweight. They eat until they can't stop eating. They can never stop eating or taking drugs or alcohol. This is the symptom of the problem, not the problem.

Valerie Pringle

I was listening to you talk about your mum. The person, who has become a poster child for mental health along with me, if I can call myself that, is my daughter Catherine, who is spectacular. She should be here today but she is very busy working. This is a cause that she is championing too. Through her life she would get overwrought for a skating test, for any test. She had a mild eating disorder. At one point she was concerned enough about her mood swings that she said she thought that she needed to see someone. I remember taking her to the wonderful Diane Zak. She had a conversation with her and decided this was a teenage thing.

Margaret Trudeau

But you are advocating for her. You are doing everything right.

Valerie Pringle

Well that was good but it did get to a point that it got worse—the crying through university and exams. I would get her on the phone and start the bromide. I have never really experienced that at all. I can say I have never had a panic attack. Everyone has been nervous but this was just off the charts. Her friends were very good at helping her through it, but when she finally started her first real job, she was living at home then, she fell apart. She was just a quivering crying ball on a bed. I used to say, "You will get better, look at your record, look how good you are, look at how fabulous you are," but these words were pretty useless. It was like your mum telling you to go and get a good attitude or whatever. So what was interesting is that finally I guess we realized that she had to get some help. She went to a GP. She got anti-depressants. She is on Efexor. This was not great news for her and I suppose it isn't for anybody. "Great. Crazy pills for me. What is wrong with me?" Some therapy was advised. It was more like counselling that had a lot of questions about mothers. Anyway I did call David Goldbloom at the Centre for Addiction and Mental Health (CAMH) whom I knew and he saw Catherine. He talked about cognitive behaviour therapy that has been really helpful with panic and anxiety.

Margaret Trudeau

There isn't a magic pill. There is a pill that will get you on firm ground like everybody else. At least you can think clearly, or maybe not that clearly depending on what the pill is, but at least you are on firm ground. But then you have got to start therapy. You have got to start talking. You have to get rid of all of the self-loathing that came from the mistakes you made. You have to get rid of your fear of ever being able to contribute. You have to get rid of your jealousy of other people who seem to have such a nice life and you have to get rid of your anger. Why me with a mental illness?

Valerie Pringle

I know and it's forever.

Margaret Trudeau

Why do I have to take drugs forever? One psychiatrist at a question-and-answer period after I had given my speech said, "Margaret I think that you think you have recovered from your bipolar condition. Don't you know that there is no recovery?" I said, "Well I guess I'm cured from the fear of my bipolar condition because I know what it is. I self monitor. I know how to deal with my emotions finally. Maybe I'm just finally a grown-up." That is the problem with our youth and our teenagers. For them to have the maturity to accept the hard choices and take medication and be compliant is a hard one. Most of the medications have side effects that teenagers will be particularly unhappy about, such as decreased libido and fat.

Valerie Pringle

It is something to deal with.

Margaret Trudeau

You have to be so strong. The anti-depressants don't have to be forever. What is the anti-depressant doing? It is raising your serotonin level and keeping it up. How do we get serotonin? We get serotonin from exercise. We get serotonin from laughing at a joke. We get serotonin from sex. We get serotonin from eating good food, from sleeping well, from being healthy. Most of the people in this room, a third of you, won't have good serotonin, because a third of Canadians are depressed. Only a third of the third of you will ever admit it and get help. That's your problem because you can be so much better so quickly if you only reach out and get help.

Valerie Pringle

To finish about Cath, one of the things that I was going to tell you is that her dad and I are so proud of her. After that particularly bad episode, and she could not work during that time, a friend of hers, Heather Armstrong, (we will never forget her kindness), phoned her and said, "Get in the shower, get dressed and call me. Get in your car, call me. I will meet you outside the office." She met her and walked her into the office. Catherine was wondering what they would say. Everybody was going to look at her. It was so embarrassing to have missed work because of this. She had said to her dad the night before, "What do I say?" And he said, "Tell the truth." And so she went in and everybody asked her where she had been and what was up. And she said, "Well I have been having panic and anxiety issues." Then she went to her boss and said, "That's the issue." Everybody was referring to people with the same problem. It was gone and it was known. There was no shame in it and that was something we were hugely proud of.

I became more involved with CAMH on the foundation board, and then the campaign cabinet. Mike Wilson, who I think is such a hero, spoke out about his son's suicide, and that was very brave. James Bartleman, Ron Ellis are really brave, wonderful people and they said to me, "Would you do a public awareness campaign?" I thought, "Lord, in my family—alcoholics and drug abusers, who doesn't?" This is everybody's family. It is everywhere. It is everywhere and you don't hide it. You don't not talk about it. It is everywhere and it is time we shed some light on it.

I said, 'Well probably Catherine would agree to be talked about in this ad, but it is sort of lame. Panic and anxiety disorder is sort of low in psychiatrics. There are schizophrenia, other things that are way more serious. Who is not on anti-depressants? Who doesn't know about this?" I said I would do it if it helped and they put up these bus shelter ads and radio ads and I found I was so wrong. There wasn't a day that went by that people weren't coming up to me and saying, "I have never spoken about this. I'm far too ashamed. I can't admit it." It is still a personality failing. It is their flaw and kids are afraid to have that label and they don't want to name it.

Margaret Trudeau

I say the shame is not having a mental illness. The shame is having one and not seeking treatment and not getting better and not being able to be the whole wonderful person that you are meant to be. You are impaired by something in your brain. Why can't we look at our brain the same as any of our other organs? Yes, it is more mystifying. It is the last frontier of medical research, but it is still an organ that can have its dysfunctions. Be sympathetic to people as equally as you would when someone gets told that they have diabetes and are going to be taking insulin for the rest of their life. When someone says to you, "I'm bipolar and I'm going to be taking medication for the rest of my life," don't mock them. Say, "Yeah, good for you," because they are taking hold of their life. They are taking hold of their problem. We all have problems. We are not perfect. You asked me at the beginning, "How come it took so long?" It was me. I was in a prison. I would not accept that I had a mental illness. I thought I could get through it all by myself. I had every rationale and reason to blame everybody else and that's what people who have an untreated illness will do and particularly ones who are still very angry about their condition. They will blame everybody else. Ninety per cent of marriages, where one spouse is bipolar and is untreated, fail. My two marriages failed because of the roller coaster of emotions that I led my poor balanced husbands through.

Valerie Pringle

We talked about one in five people suffering from a mental illness in this country. A larger number of people are living with them and caring for them and dealing with them. Was there a support group for your husbands? What is it like to live with bipolar? People who are caring for schizophrenics need that. It is an enormously difficult situation.

Margaret Trudeau

Bipolar is all a question of balance. All the drugs have side effects. Everybody will say, "But I'm so creative in my manic stage, and you are going to take that away from me." The drugs do. There is no question they put up a ceiling. They bring you down and stop you from being too high and they bring you up from being too low and put you in a nice place where you can be a whole contributing normal human being. We wouldn't have had a Van Gogh painting, we wouldn't have had half of the creative work in the world, if all of these people had taken their Prozac.

Valerie Pringle

Having said that, one of my very favourite interviews was with Leonard Cohen. And I said to him, "You have been suffering from depression your whole life." And he said, "Yes, I've treated it with Prozac, alcohol, Buddhism, sex, whatever." He saw his art as a victory over suffering, not as a result of the suffering. He also said the best thing he ever wrote was that line from "Anthem," where he said, "Ring the bells that still can ring, forget your perfect offering, there is a crack, a crack in everything." And he said, "I think I nailed it."

Margaret Trudeau

He did nail it because it is in our cracks and in our flaws that we become unique and beautiful and not the same.

Valerie Pringle

How do you communicate that to children though, Margaret?

Margaret Trudeau

This is my concern. I'm working with a doctor Alan Young at UBC in the Department of Psychiatry. He's working on bipolar in children and I've learnt a lot from him. He's a British psychiatrist, now Canadian. One of the problems is that the Americans are throwing drugs at children. They are now diagnosing bipolar which is good. They used to diagnose bipolar children in their manic phase as having an attention deficit. They gave them Ritalin, which gave them more stimulation, which wasn't really the solution for those children, and the depression was being ignored. We really need to work at it through diet and exercise and proper play and I mean real play, imaginative play, in the real outdoors. I know we are afraid to let our children outdoors but what a shame. The world is out there for children if they are allowed to be in it and play in nature. This was an important part of my childhood. I did have someone flash me once. Who doesn't?

Valerie Pringle

I did. It was when I was hitchhiking down Yonge Street when I went to Ryerson on a daily basis.

Margaret Trudeau

There have always been pedophiles, always been flashers, and we should trust that our children can have some play.

Valerie Pringle

Well here is a question. What kind of impact does stigma have?

Margaret Trudeau

I think it comes out of ignorance. Stigma is not being informed and educated and the only way to get rid of it is with education and people becoming aware how wrong it is just to shut off a whole population of people because they have a flaw that you perceive as a character flaw when in fact it is just a physical, mental one.

Valerie Pringle

We've seen changes, huge changes, in how we see AIDS and so many things such as cancer. There are changes coming in mental health. There are so many people who have taken leadership roles at CAMH. I'm involved in something called the Canada Post Foundation for Mental Health as well.

Margaret Trudeau

Great West Life, the insurance company, has the most remarkable Web site. I can get papers from psychiatrists at the Mayo Clinic through their Web site. It is just an absolutely open beautiful Web site to help people understand mental illness and to get early help. Why is Great West Life, the big insurance company, doing this? It is the bottom line. It's a huge cost to our economy to have people who stay depressed, who stay in a rut where they can't function or they are not functioning because of a mental illness that they are too afraid to admit. Don't call it a mental illness. Call it your brain health.

Valerie Pringle

I was on a panel with Phil Wilkerson a few days ago, talking about mental health and workplace issues. He felt it would be a great leap forward if we stopped saying mental illness. We should start breaking it down. We should say schizophrenia, panic and anxiety disorders.

Margaret Trudeau

Brain health. Even labels are distressing. There are some that are absolutely clear what they are and some that are not so clear. There may be a scattering of different issues. Just talk about having a balanced functioning happy brain that thinks clearly. When you are manic and when you are depressed, you're not thinking clearly and the worst thing that happens again and again and again, it certainly happened to me, is denial. You just will not get help. You will not accept that you need help. I'm not mentally ill. You are mentally ill if you think I'm mentally ill.

Valerie Pringle

Well this is such a hard thing for parents.

Margaret Trudeau

Well 50 per cent of recovery apparently is in accepting your diagnosis. Then you are on your way. The doctor thought I was so compliant when I had my complete breakdown after Michel and Pierre's deaths. I totally lost my mind, had complete madness, I was hospitalized and had to start from absolutely the ground up to get well again. The whole essence of it was balance. It was just making hard choices that would lead to a balanced lifestyle. Getting my serotonin out of food and exercise. I've got a personal trainer. I hate going to the gym. I have spent so much wasted money. I dieted. I put on so much weight, at different times, up and down. I dieted and diets are distressing in every way to the family, to you, your friends, everyone. No dieting. Just find out how to get your metabolism going, how to get that energy so that you can function at high speed. Well not high speed; high-speed fun.

Valerie Pringle

Speaking just to the stigma issue. I remember my first tour of CAMH down at Queen Street, which they are transforming as you know and we are happily accepting donations. When I went through it I found there was no gift shop. This is a hospital with 600 beds, more than Sick Kids. It is huge. There is no gift shop because there is no economic model. Nobody comes to visit. Nobody buys gifts for all the people in there who are probably feeling worse than most people in any hospital. I was part of a campaign last Christmas called “Gifts of Light” which was a fundraising campaign. Catherine and I did a lot of TV interviews etc. just trying to get money so that everybody in CAMH would get a gift last Christmas—a bathrobe, a blanket, a pair of slippers. I went to the mood and anxiety unit one day. I was delivering some of these. The staff there did an amazing job. We were trying to reduce stigma and also to reach out. Catherine said that it is like a hug. The most important thing, and she would say this too as I’ve learned in trying to get better in dealing with her, is realizing that this is for life and it’s sort of depressing for her to think she would always be like this. I’ll see her face go flat. Sometimes she gets a little rigid. She is just getting a bit panicky, she’ll say. Or I’ll phone her and she is very weepy. Instead of now just telling her to sing a happy song or whatever, I tell her to come here and see me. We just sit. She just wants to be held. She wants to know people will be there. She doesn’t want to think that they’ll get sick of her. They’ll get tired of this. They’ll get fed up with her behaviour. No one will want to marry her. No one will want to be her friend for the long term because every once in a while she dips down and can’t do anything about it. She doesn't want to have to feel guilty or ashamed because of that but that's the fear.

Margaret Trudeau

It isolates you and it marginalizes you as you go deeper and deeper into depression. You know that you're no fun. You are no fun. You haven't got the ability to laugh. Nothing is funny. You are not getting enough serotonin. You have no delight. You know that you are a bore and a party pooper so you stop going out and you stop accepting invitations and then you think that you probably can't work either. You get deeper and deeper into a hole and it gets darker and darker and lonelier and lonelier.

Valerie Pringle

What you hear is that you don't think you can get out.

Margaret Trudeau

You then reach crisis and that means hospitalization and there is nothing nice about being in a psychiatric ward. Nothing except the good people who are in there helping you. It's pretty frightening for anybody I think.

Valerie Pringle

Here's a question. How valuable do you think Canadian youth services are to children and what can a community do to help identify mental issues like anxiety in children? Certainly suicide prevention is one of those things. Aboriginal kids are certainly in crisis. The Ontario government has been looking into Canadian kids and identifying mental health as one of the critical three issues to be dealt with. Having said that, I think Canada is the only country in the G-8 that doesn't have a mental health strategy.

Margaret Trudeau

We should be so ashamed. Now we have a great mental health commission. Michael Kirby the senator is head of it and it is just gathering information all across the country. It is wonderful. I just hope that we have a government in place when it's finished that will act on the recommendations because we don't want to find out what's wrong and do nothing about it.

Valerie Pringle

We know what's wrong. We know the numbers are enormous. We know, as I said, that 80 per cent of all psychiatric disorders emerge in adolescence. It is estimated that 70 per cent of childhood mental illness cases can be solved with early diagnosis and intervention, but the issue is so much that of access and treatment. So many people because of the posters have asked me, "How do I get help? Where do I get help?"

Margaret Trudeau

I think we just need to have someone help us navigate the maze that is our health-care system when it involves our children or our friend's children or ourselves. You have to become an advocate. You have to be informed. You have to go on government Web sites. The Canadian Mental Health Association of course has 165 branches across the country. It is a great grassroots first door to go through and say, "Well what have I got to do? I need help or my daughter needs help or my friend needs help."

Valerie Pringle

Suicide is the leading cause of death in adolescence, but the attempts outnumber completed four to one so there is such a role there.

Margaret Trudeau

Crying for help again. It comes down to emotional intelligence. Really we have to raise our children with empathy. That wonderful Mary Gordon and her work. She started with roots of empathy and now I see she's got seeds of empathy—raising children by not putting an expectation on them of how you want them to grow up and be my son the doctor, my son the lawyer.

Valerie Pringle

My son the politician.

Margaret Trudeau

My son the future prime minister. Yeah right, over my cold dead body.

Valerie Pringle

I don't think Justin has any pressure on him at all.

Margaret Trudeau

No it is my daughter who you should be looking at.

Valerie Pringle

And your fabulous baby son who you say is a treasure.

Margaret Trudeau

Yes, absolutely. We have to identify early on the little characteristics and the shortcomings. We don't call them flaws in our family. We should help guide parents through the tumultuous emotions, the tumultuous bullying, rejections, all the things that are going to happen to children. They are going to be knocked down. You can't protect them from everything. None of us can be protected from being knocked down in life by somebody, somewhere, sometime. It is how we get up again that is a measure of how successful our lives will be and many of us can't get up on our own and don't even know how to start to get back on our feet after life has knocked us down.

Valerie Pringle

No, you need help.

Margaret Trudeau

You need help. I think your services and any organization that has a compassionate mandate is so necessary and so valuable.

Valerie Pringle

I should just put in a plug for the Canada Post Foundation for Mental Health. It has just raised a million dollars this year. The Web site is up, getting out into communities, small communities, and giving the first access point. People can apply for grants, if anybody in this room is interested in that. There is a million dollars to be spent this year trying to get services out there. To hear Moya Greene, the President of Canada Post, who is such a strong advocate talking about "our share health care," and people who care about this issue or are touched by it, which is almost everybody, marching out of their homes and all screaming "our share health care," is quite something.

Margaret Trudeau

Well my hat is off to James Bartleman. What he did was an extraordinary pro-active response. There was a suicide a week in our Aboriginal communities and what did he do? He said that we have got to give those children hope. Trucks and firetrucks and police cars just drove up a million books where the roads don't go or whatever, because he thought if the children at least could read books it would open up a world of hope to them. It would open up a world of possibilities. They might think of themselves in a different way. There was just nothing but despair in a cycle of poverty that wasn't going to end. Of course the way to end the cycle of poverty is with education and giving the children motivation and hope. Books are such an important part and cannot be underestimated. I know that is another reason that I had a pretty happy and healthy childhood. I read voraciously all the time. I just escaped into this extraordinary world.

Valerie Pringle

With James Bartleman his most serious concern is Aboriginal youth and suicide.

Margaret Trudeau

But this is a real positive approach. A simple thing like used books.

Valerie Pringle

We have got a question from the youth representative. She asks, "How can we as youth leaders explain to teachers and parents that mental health is not a disease and we as youth have a lot of potential?"

Margaret Trudeau

It is mental illness. It is a disease. It is a health concern. The concern is our mental health as much as our physical health as much as our spiritual health. They are all part of our concern so what we have to do is put value on our emotional state as much as we put value on our intellectual state. We may be very, very competent intellectually and have no ability to deal with life and, as Pierre called it, the vicissitudes of daily living, the ups and downs. I think that a kind of progressive approach, a proactive approach, from everybody is needed. Mental health is part of physical health and people in the workplace should be attuned to people and not push them away because they are sad, boring or irritating. We should say, "What is happening to you? Do you need some help? Would you like me to try and find someone for you to talk to?"

Valerie Pringle

Speak openly. You hear that so often. People will say, "I wish people had said 'How are you?'" If someone were hit by a bus, you would send flowers and all go to visit and keep in touch. If someone jumped under the bus, they wouldn't even talk to you. They would look the other way. They would think this was so embarrassing. They wouldn't even ask. No one would talk about it. I think the important message to communicate to kids is that mental illness is a crisis and if it goes untreated it can lead, as you will say, to a wasted life, perhaps a suicide death or just an unhappy, less productive life and intervention can help.

Margaret Trudeau

Well you are impaired from functioning as the best you can be. I don't mean the best of everybody but just the best you can be and that's all we can expect of ourselves or our children or our friends. Just to be the best you can be. How can you be the best if you have really bad judgment and are not seeing life clearly or you have a chemical imbalance and you are just so stressed at the idea of having to walk out your front door.

Valerie Pringle

Well I think we will wrap it up there. Would you like to leave with one final message?

Margaret Trudeau

You do that.

Valerie Pringle

I think I was trying to do that by saying that we can't afford to waste these lives. Everybody in this room obviously knows these issues, some more than others. The minister in charge of this for the government of Ontario is here and people who are advocating for all sorts of groups understand this, but I think we know we have still fallen down, that we are still failing our kids and there is still so much more we have to do in terms of being open and accessible about this and having a more effective strategy.

Margaret Trudeau

I just have one thing to add.

Valerie Pringle

I knew you would.

Margaret Trudeau

I very happily have had the occasion of being able to meet with the Dalai Lama through my son Sacha. He was to have a private meeting with him after some conference he was at and the Dalai Lama's aide called, when he and I were having dinner. He said that the Dalai Lama would like to have an hour-long conversation with Sacha the following morning.

Valerie Pringle

"Can I bring my mum?"

Margaret Trudeau

Anyway I had a question for the Dalai Lama and I asked him about happiness. We all want the pursuit of happiness. We all want personal happiness. Is happiness possible? Is that something that we can achieve? He said that if you are warmhearted and compassionate you will be happy and that is the truth. If you are willing to give out and put one step forward and to help somebody who you see is suffering, your happiness scale goes right up and of course love is all there is. So warmhearted goes without saying. You get what you give. I will conclude on that one.

The appreciation of the meeting was expressed by Jo-Ann McArthur, Principal, fisheye, and President, The Empire Club of Canada.

Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye, Margaret Trudeau, and Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Ontario Trillium Foundation.

May 7, 2009

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Boyd Neil

Senior Vice-President, Corporate Communications, Hill & Knowlton Canada

Peter R. Aceto

President and CEO, ING Direct Canada

Suzanne Fallender

Manager, Corporate Responsibility, Intel Corporation

Tom Watson

Senior Writer, Canadian Business

SOCIAL MEDIA AND CORPORATE TRUST

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Doug Cooper, Country Manager, Intel Canada; Reverend Bill Middleton, Minister, Armour Heights Presbyterian Church; Dahron Martin, Grade 12 Student, W. L. MacKenzie Collegiate Institute; William G. Whittaker, Partner, Lette Whittaker, LLP, and Past President, The Empire Club of Canada; and Brendan Hodgson, Vice-President, Digital Communications, Hill & Knowlton Canada.

Introduction by Jo-Ann McArthur

Social media is something everyone is talking about, but few understand. More people are connected in more ways than ever before. And that can be a scary thing. The rule of thumb used to be that if someone had a bad experience with your company they told another 10 people. Well now you can tell thousands with a keystroke or by posting a video of those Domino guys making your pizza on YouTube.

Companies are being watched like they never have before—from how they treat workers in a branch plant in a foreign country to how they dispose of their garbage.

To guide us through these heady and scary times we have a goldstar panel and moderator.

At Hill & Knowlton, Boyd Neil uses his more than 25 years of experience in the public and private sectors as a communication strategist to provide senior level counsel to a variety of clients. He is especially skilled in reputation management around complex and sensitive public issues, corporate social responsibility (CSR) and crisis communications.

Please join me in welcoming Boyd and his panel to our podium.

Boyd Neil

Thank you. I'll do the introductions of the panelists and then I will take the prerogative that I have as moderator to spend about 35 minutes to an hour talking about my point of view on social media and then if we have time we'll ask the panelists to say something. Only kidding.

To my far left is Peter Aceto. Peter is President and CEO of ING Direct Canada. You can also find him on Twitter at CEO_INGDIRECT. His career with ING Direct began in Canada more than a decade ago as a founding member of its senior leadership team. Peter most recently was a member of the ING Direct U.S.A. executive committee and responsible for sales, marketing and corporate communications. He is also formerly the chief risk officer, chief of staff and a chief lending officer as well at ING Direct. Peter has degrees in law and psychology from the University of Western Ontario.

Next to Peter is Suzanne Fallender who is Manager of Corporate Responsibility for Intel Corporation in the U.S. She is from Phoenix. She refuses to answer questions about whether or not the Phoenix Coyotes are going to transfer here. She doesn't want them to. She wants them to stay. That's because she is from the East and I'm sure that means she is a hockey fan. Suzanne has more than 12 years of professional experience in the field of social responsibility and corporate governance. She works with groups across the company including environmental health and safety, supply chain, human resources, legal, government affairs and community relations to track and report on performance and identify opportunities for continued improvement. Suzanne regularly engages with Intel's external stakeholders including socially responsible investors through Intel's social media channels, such as Intel's corporate responsibility blog, which is blogs.intel.com/csr. She also works internally to use social media to improve ongoing communication of Intel's corporate responsibility activities with employees.

And finally Tom Watson. Tom Watson is a senior writer with Canadian Business. He is also an editorial board member of Canadian Business. He said at the lunch table he'd rather be sailing today actually. He is also a sailor. He's covered business, finance, politics, and technology for various news outlets throughout the world in his career. He has just been nominated for two national magazine awards including a feature on the Facebook group that successfully used the Internet and faced down Bay Street over the ABCP fiasco. He received his first magazine award nomination for exposing a stock manipulation plot aimed at Waterloo Ontario-based Open Text in 2000 when he was head of investor relations for an international venture capital outfit in the City of London. He holds graduate degrees in journalism, international relations and politics and undergraduate degrees in history and politics. He blogs at Double Take on the Canadian Business blog and is on Twitter at NotSocrates.

So there's your panel.

It's self-evident I think that trust in companies has declined significantly over the past few years although if you want to argue the point I can direct you to quite a number of studies that say so including H&K's own corporate reputation surveys that make the case. It has also become manifest that what can be called social tools—YouTube, Flickr, Facebook, Twitter and blogging among others—have been catalysts for impugning corporate behaviour. Just ask Domino's Pizza or McNeil Consumer Healthcare, TASER International, Continental Airlines or Dalhousie University.

What is less obvious, I think, is how these tools can be used by organizations and companies to build trust. There are a number of hypotheses about social media and trust, which I hope we can test in our short panel discussion. By doing so, I think we will get a better understanding of what those of us who manage reputation both inside and outside organizations have to do differently.

I'd like to get things going by posing a few axiomatic beliefs of my own about social media. My point of view comes from four or five years of blogging, engaging in social networks such as Facebook and Twitter, providing counsel to clients on transforming crisis reputation and issue management strategies through the analysis and application of new social tools, teaching new direction in communications for two Canadian universities and discussion online and in person with people much smarter than me, some of whom are here today.

Let me start by arguing that companies and organizations today are facing what can only be called a sea-change in the universe of idea generation, news gathering and information sharing, whose only precedent may be the impact that the creation of the printing press had on industrial society after the fifteenth century. I can think of at least three things that social media changed that can be both obstacles to and facilitators of creating trust and make many of our past reputation management approaches obsolete.

First the concept of personal expression and friends first. In his recent book, which I recommend to everybody, "Here Comes Everybody" by New York University professor Clay Shirky, he says, "We're living through the largest increase in human expressive capability in history." The midwife of this expression is the ability of anyone to poster-publish anything anytime anywhere and have an audience for this expression. Now the audience may be small and may only be an audience of friends, but you can never be sure that it will stay small or that it may not persuade a much larger network of people or dispose them to act. It is important to recognize that this is not about the technology, the social tools, that makes interaction possible, but about the anatomy of the interaction, the new anatomy of the interaction. It is an interaction that is consistent with our oral tradition of politics and story telling. Think about comparable images like seventeenth-century coffee houses. I think social media are now the places to assemble, to exchange ideas and, if desired, to organize action and dissent.

Senior people, senior executives and communications professionals find it difficult to get their minds around this change, because their strategies now require people more than communication products. The expectation now is for personal relationship and responsiveness, not just facts and information.

Second is the principle of group formation. Clay Shirky also goes on to say, "By making it easier for groups to self-assemble and for individuals to contribute to group effort without requiring formal management (and its attendant overhead) (social media) tools have radically altered the old limits on the size, sophistication, and scope of unsupervised effort." In other words, we now have what my colleague, Brendan Hodgson, who is sitting over here calls empowered detractors and supporters—individuals and small groups who can challenge a point of view, force transparency, expose malfeasance and also become allies and friends.

What empowers them is the ease with which they can be assembled in small but potent networks using social media. And because of the low barriers to participation and action, power increasingly resides in the hands of the committed and the concerned. The Motrin Mom's campaign is one recent example in which an angry individual used social tools like YouTube, Flickr and Twitter to defeat an advertising campaign.

The third belief I have is that we are facing a vastly different news dynamic, because news can come from anywhere and increasingly frequently comes to the public consciousness not through the traditional news infrastructure but through social networks. Listening, vigilance and conversation are more important now than they have ever been. At the same time, although circulations of newspapers are declining, publications are disappearing, our appetite for news keeps growing. That means that companies that want to affect the way they are seen will have to be prepared to provide a steady flow of information and news supported by crystal-clear conversation and dialogue rather than waiting only for what in the past they have judged worthy of being released.

So what do these three observations mean for the strategies meant to sustain, defend, or build trust in corporations?

I've got at least four ideas and I hope we discuss them in the course of the session today.

First, communication strategies or reputation strategies that depended on the publication of information must now be scrapped in favour of strategies that find and/or build communities of interest and small networks of advocates, champions and apostles.

Second, strategies meant to influence government or specific social behaviours or even encouraging buy-in behaviour must now recognize that the new backbone of influence is the small but highly connected networks of ordinary people. Media impressions, the historic but oh so inadequate measure of the success of communication programs, by counting how many people likely had access to a certain media piece just don't tell us much anymore.

And finally, generic brand-building strategies should now be supplemented, maybe even replaced, by programs that start from people, that engage networks and that reveal personality, because, as a Deloitte consultant once wrote, "It is harder to distrust a person than it is to distrust a corporation."

So now let's see what our panel has to say about all of this. I have three questions that I have asked each one of them to prepare an answer to and then once they have answered those three questions I hope that we will begin some dialogue with questions from the floor. I believe there is a microphone available for you to use to ask your questions so that it will be recorded for the taping. So I'd like to start with a question for Peter Aceto if I might.

Peter, as you may know, is on Twitter. I know that he runs five kilometres sometimes and he bikes 20 kilometres sometimes, but he has other purposes too to Twitter. You made the decision as CEO of ING Direct to participate on Twitter as yourself and to have your personality on display as it were. Since it doesn't appear they have a specific marketing purpose, you are not selling ING Direct and I follow your tweets everyday, I assume that you feel that this very personal involvement in social media helps build trust and confidence in ING Direct. Could you comment.

Peter Aceto

Thank you very much Boyd. Let me begin by saying thank you for allowing me to be a part of this very prestigious panel and it is a great honour to meet Tom and Suzanne. The subject matter is very interesting and I'm happy to offer my thoughts on it.

Yes, I am a regular participant on Twitter. I tweet probably about four to eight times a day and anyone who follows me will know that I tweeted my notes to everybody about exactly what I was going to say today to give a couple of you a little heads up on what I was going to refer to. I'm also involved as the CEO of our organization on Facebook and will be entering the foray of blogging next week and could probably use some guidance from my fellow panelists.

On the subject matter at hand, trust is very fundamental. I think it's fundamental for any business and I think that's particularly true in the context of a financial-services business for obvious reasons and particularly a business like ours where we don't really spend a lot of time face to face with our customers. We talk with our customers over the phone and over the Internet, so trust is a very important issue for us. In particular, if you work for an organization like I do, that has a set of values—values about openness, about honesty, about transparency, about no surprises, and giving great value to your customers—if your business is built on a foundation of a culture of innovation, of trust, of improvement and getting better, then social media is a fantastic place for a business or an individual representing a business to be to reinforce those values and reinforce those cultures. As Boyd mentioned, customers and prospective customers are beginning to demand that every day and if you can do that in an effective way you can really, really build trust.

There is a whole bunch of things about me and I'd say even more about ING Direct, the organization I work for, that our customers understand. Prospective customers if they understood them better would have a much higher level of trust in us. I think that has huge impacts and huge benefits. Customers who trust you and believe in what you do are more apt to refer friends and family and colleagues to do business with you. In fact, almost a third of our customers come to us through referrals from other customers and that's a metric we watch very carefully. That gives us a good idea about whether we are living up to the promises to our customers. If customers have a high level of trust in your organization they will give you more of their financial world, which is obviously something that we are interested in as well.

For us, I think, social media really opens the door for our customer and for us. It is a door through which customers can look inside your organization and if your organization believes in the values and the transparency of things that I've alluded to and Boyd has alluded to, the level of trust will be increased by opening that door to customers.

I think the other thing, maybe most importantly, is it also gives you an avenue through which to listen to your customers. If you care about self-improvement and if you care about giving your customers the service that they want, opening this door via social media really is a powerful tool. Because customers and prospective customers are willing to tell you what they think if you're willing to listen and you have an organization that can listen and implement changes, social media is the place to be.

If you or your business is willing to be authentic, if you are willing to tell the truth, if you're willing to be real and you can deliver on that promise every day, then that will serve you well in all relationships. That will build trust and will serve you in all relationships. I was going to make a joke on Boyd and suggest that he go home and try some of these things at home with his wife but I found out that he has been married 35 years so he must believe in many of these qualities in his personal life. I think it is very, very true in a business context as well and that's why I in the persona as the CEO of ING Direct have chosen to share and be so active in the social media world.

Boyd Neil

Thank you. Save your questions because we will go through the other two and get their perspective on social media and then we will have an opportunity for anyone to ask questions. So the next question I'd like to pose is to Suzanne. It appears that corporate responsibility reporting in particular is moving from a once-a-year glossy four-colour print publication model to a model that is based on ongoing engagement with communities and other stakeholders. Intel has a very lively blog, the CSR blog, and so I'd like to ask Suzanne if she could see a day when the blog in fact becomes the sole forum for managing CSR reporting. In other words we will get rid of those expensive four-colour glossy publications that people tend not to read and instead have an ongoing live interaction with stakeholders in which you're reporting on objectives and successes in a regular way.

Suzanne Fallender

Thanks Boyd and thanks for having me here today. Asking me this today is not entirely fair since I'm a little bit biased. I'm editing our report that is going to be published in two weeks and I'm rather sick of looking at it and think I'll just blog and get rid of it altogether.

I don't think you will get away from the annual report any time soon. It's a decision between reporting and reporting and communications together. From a report standpoint I wouldn't really want companies to stop doing their financial statements either, but I don't sit down and read and compare annual reports or securities filing front to back. There's value in having an annual accounting of your strategy, of your performance, so you can compare your performance back through time. There's also the possibility of comparison with other companies. I think as corporate responsibility has moved into the mainstream and as more investors and other stakeholder groups recognize that companies really should be managing their environmental impact, their social impacts along with their economic impact, this needs to be treated as you would treat financial information.

That said, will social media become more a part of what we do in terms of our communications and CSR? Absolutely. We have never treated it as a once-a-year publication. We have actually done a lot of engagement but we have done it through channels and face-to-face meetings. We do annual roadtrips to meet with social investors and other stakeholders. We have an e-mail account and people send hundreds of e-mails that actually go right to my BlackBerry. We respond and people are actually surprised that they get personalized responses to e-mails from all around the world.

We launched the blog and got into social media in 2007 in parallel with Intel really embracing social media in the whole company. We started in 2003 with some grassroots bloggers. I think they had servers under their desks. They got this following, our CEO decided to launch an employee blog in 2004, and then he started blogging.

Over that time there's been a lot of groundswell in activity so we had to then ask, "How do we harness this to really tell our story to our customers and stakeholders in a variety of ways?" In 2008 we started to provide some resources and tools for our employees. It is one thing to say that we want all of our employees out there being ambassadors for the company, but it is another thing to send them out into the wild west and say, "Great, go at it."

So we put together a Social Media Centre for Excellence. We put together social media guidelines and created a very detailed digital IQ training course that provided everything for people who wanted to blog and warned of the things they should worry about for their own privacy concerns—the topics they needed to be careful about when they were blogging from a legal standpoint.

It was in line with what we are trying to do in corporate responsibility which is to integrate longer-term more into the social media phase and to say to our employees we trust you enough to go out and blog about your level of expertise and topics you care about on behalf of Intel. They were shown how to use social media internally to connect with each other and to share ideas better. Knowing what is being said about your company, hearing the things that are uncomfortable to hear, and knowing about them before they get to a crisis level is something that my group has always managed through the Internet and through regular print media. But using social media and monitoring it and creating ways for people to contact you is only going to help build that trust. It is ultimately about relationships. The person whom you are trying to reach may want to meet you face to face or they may be more comfortable in social media and want to be your friend on Facebook or LinkedIn or whatever they are going to join you on. I think you have to figure out what communication vehicle is going to be the more effective way to reach them.

Boyd Neil

That's great. I've got lots of questions that follow on that. Finally a question for Tom Watson. In all the discussion about the impact of social media on the declining financial health of print and broadcast media, the most interesting question from my perspective, and I know Tom feels quite strongly about this, is whether journalism today is surrendering its role as the watchdog of political and business behaviour to a much broader cadre of watchers, which sometimes includes members of the public who are simply in the right place at the right time. Is this true?

Tom Watson

No. What's threatened in traditional media is the cost structure of newspapers and magazines. If you look at traditional media outlets like Ford and Chrysler, you can pretty much determine that people will be buying cars down the road, that people are going to be reading journalists down the road. How you build the cars or how you publish the journalism is what's at question.

Currently we compete with social media for eyeballs and advertising dollars and I think that's what threatens the revenue models of traditional media. But what we don't necessarily compete with is the gentleman who won the Webby recently for a thousand awesome things including wearing warm underwear. I don't feel threatened by that guy. The stories that I'm lucky enough to have the privilege of publishing in Canadian Business that I was nominated for were both almost year-long investigations that required libel lawyers, libel insurance, some tact, some lack of tact, the ability to realize that if CEOs are on Twitter you could track them down and go around people like Boyd.

Social media just empowers journalists even further. I am enabled to do a thousand interviews by a blanket shotgun e-mail to a company's customers if there is a whiff of a scandal or a complaint. I can join a chat group. I think Boyd mentioned that I wrote about the Facebook group that pushed Bay Street to listen to them when they were doing the restructuring for the asset-backed commercial paper fiasco, a multi-billion dollar deal. It was a very small group of people and they couldn't get anywhere. No one was listening to them. Even when they joined Facebook nobody listened to them. What happened was one newspaper that didn't listen to the group before they joined Facebook decided that their social media story was cool. They did a story about this group using Facebook. They then got traditional media involved and so the two worked hand in hand. This group rose up, basically took over and got paid back in full while the Magnas of the world and the other companies hold paper that maybe is worth what Chrysler stock is worth if it was traded.

I don't think we are giving up anything. I think that in a crude sense you can say that any drunken fool can scream like a town crier, but the town crier has a position of authority and I think you are always going to need people who are trained to filter. I don't know what form that will come in. If all the newspapers in the world shut down what would you pay for a Globe and Mail during an election year? Probably a lot more than you would pay today. So we are not trying to do anything. We are empowered. We might have to look for different forms of revenue. There might be higher subscriptions but I think journalists are more powerful today than they've ever been.

Boyd Neil

Great. Thank you very much. There were strong opinions from everyone. I have lots of questions but since I took 10 minutes to express my point of view at the beginning I'd rather open it up to the floor. Are there any questions? Does anyone have a question that they would like to ask one of the panelists to get the discussion going? Or does anyone disagree with the panelists? I know there are people who disagree in the audience.

Question

How do you get to meetings and do other things you have to do and still find time for tweeting on Facebook?

Peter Aceto

That's a good question. We should tweet more when we're busy because the tweets would be much more interesting, but practically I wasn't able to walk that talk. The reason why I tweet is because I like sharing my views about things I'm experiencing and learning during the day when I interact mostly with the people I work with. I will tweet sometimes on the weekend when I have quite a revelation or my kids do something pretty fantastic as they do all the time. It is really natural. It doesn't really take a lot of time and most of the things I tend to tweet about for the most part is what I witness in our business every day. We have a lot of fantastic employees. There are lessons I'm learning every day from working with them. Things that went well, things that didn't go well and I like sharing them. In 140 characters it doesn't actually take too long although the challenge is to get an idea and an expression to be clear and concise. So it depends on the day. It is something that I naturally enjoy doing.

At the same time I decided to go on Twitter some of my colleagues chose to do so as well. I naturally took to it. I felt very comfortable and I had this innate desire to share things with others. I really enjoyed the feedback I was getting. Other people just don't have a natural inclination to do that and they choose not to do it or choose another tool or another medium. I find time for it because I get value out of it. Other people get value out of it. Sometimes it takes me five minutes, six minutes a day. Sometimes I will spend half an hour or 45 minutes either reading or participating in a conversation. I think it's a useful use of time so that's why I invest a little in it.

Boyd Neil

I have a follow-on question to that. Is that a message that you think is worthwhile for other CEOs to hear? There is a lot of resistance to CEOs in particular blogging. There is a lot of resistance I suspect from legal counsel to CEOs blogging or being on Twitter. What might you say to them that would encourage them to perhaps not listen so closely to the lawyers and Peter was a lawyer so he can speak from experience from that perspective?

Peter Aceto

I like to disclose that I was a lawyer at the end so people might still be interested in what I have to say. A couple of things. One is you have to really look at your business before you decide to open the front door to let people in and I am honoured to work for a business that can open the front door and the back door and the side doors and share what it is that we do. You have to have those values. You have to be willing to be open and honest and you may discover things that you didn't know and be willing to do something about it. If you can't live up to that commitment then you probably shouldn't be there. In the business I'm in I suspect that my fellow CEOs probably won't be rushing to this place. I'm okay with that, but I also think it's a missed opportunity for many businesses. As you pointed out, customers are beginning to demand a look inside and if you aren't there your customers, your employees, your former employees, are there and they're talking about you. So if people are talking about your business, if they are talking about your business at the dining room table, you'd rather be there than not.

Boyd Neil

I have another question for Suzanne. You also, I understand, contribute to another platform for community conversation which is Justmeans.com, that I believe is described as an opportunity for individuals to engage with companies about their social and environmental impacts. In other words you're blogging in a space where people are coming and raising their individual concerns about corporate behaviour. Why did Intel allow you to do that or why did you choose to do that?

Suzanne Fallender

I think it falls under that broader encouragement of going out where those conversations are in your subject matter. I was looking at the different platforms that were there and found where people were coming to look for information about corporate responsibility. I found it was pretty easy to sign up and was an extension of the blog, so I just started to be present. I think what's important is that there are different communities popping up and being able to find where they are and not just waiting for people to come to you is a great communication challenge. We don't have to wait until the CSR report comes out. We can talk about different things that are going on. We can talk about some of the challenges we face in a two-way conversation. We find a lot of people aren't going to come just to that blog only. They may want to stay in their other community, so you have to sometimes go out to where they are as well.

Boyd Neil

Would you say that one of the biggest mistakes that many companies make is to think that what they have to do is create a community rather than in fact find a community that already exists and become part of it?

Suzanne Fallender

Yes and I think it is about understanding social media. It is that regularity and discipline and time is hard to find and I think that is something I personally struggle with. I think you have to continue to do it but you can't just push out information. You have to be embracing it in your personal life and your professional life to get comfortable with going out and looking for different conversations to be a part of rather than saying I am blogging, I am doing everything I can do in social media and that's the end of story.

Tom Watson

With whatever form of media you want to pick, there's garbage that goes in and comes out and good stuff that goes in and comes out. When I joked earlier about the guy who won the Webby I was not saying he didn't have a quality Web site. I was just saying that what I do isn't threatened by underwear jokes.

Boyd Neil

I've a follow-up question to that. One of the arguments was made that we need journalists in order to defend quality in the reporting of ideas and incidents, events, that kind of thing. Is that a fair comment? Are journalistic standards being maintained or are they declining as a result of the fact that in social media often you can report faster. You can get a message, often well written, out much more quickly. You can have a camera phone at the crash of an airline in the Hudson River faster than you can get a television camera there. The quality may not be there, although that was an outstanding image on YouTube, so do journalists feel pressure to get information out faster and does that affect the quality of writing?

Tom Watson

You are asking a magazine guy who is technically on vacation. I am going down to the sailboat after this. My job typically is to let other journalists do the quick heads and then I get to cherry pick the best of what they do, add a few quotes and hopefully some new analysis and publish something at length more in depth. I don't think the speed does anyone any good. If it is a plane crash or if it is a great picture or a newsworthy picture you can post that faster than anyone. There are certain ways you record accidents that I would not want to see taken over by social media because there would be no consideration for families and so forth. I'm not saying that traditional media always does that, but speed I don't think is the issue and quality is going to be there in some publications and in some formats. I'd argue print does the better job of providing depth during political campaigns than television. My apologies to anyone in TV but it's true.

Question

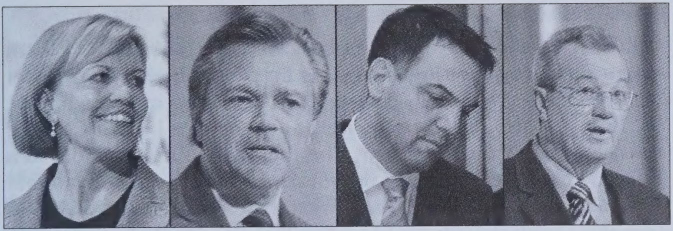
I have two questions for Tom really on two themes in journalism and its relation to the Internet and social media. One is around the business model that you talked about and I was surprised to hear you say that maybe increased subscription fees would be an answer since the Web has certainly trained people to expect the "f" word, that everything should be free. The second more philosophical question would be whether you see some real risks in the fact that when one gets news online you tend to do your own filtering. I always use the expression that what I get online is the stuff I'm interested in. What I read in the Economist or Canadian Business or the Globe or whatever are the things that I didn't know I was interested in until a trusted editor picked that out and put it in front of me and then I went, "Oh, that was really quite interesting." There are thousands of stories that come in every day and some editor has to filter out which are going to get into the newspaper or into a magazine or not. That's the other philosophical issue I wonder about with the Internet and social media—this ability for us to narrow the number of voices that we hear.

Tom Watson

The ability to narrow your information stream is extremely increased. The problem is, and this goes back to the advertising model as journalism relies more and more on advertising and there's nothing wrong with that (I love advertisers), we have to try to get a bigger audience, so we cover sports, we cover entertainment, we do movie reviews, as well as politics and business and everything. What you're talking about are certain aspects of politics or business that you don't know you need to know. It's the extra step you get when you read about Gretzky and Balsillie trying to bring a team to Canada but also read about a stock scam or something of that nature that you found interesting. I think that as more and more information gets pushed out there and more and more traditional media outlets decline, people will be willing to pay more to have a trusted group of professional journalists. I think having a news outlet that you trust to put together that package (what I need to know about the world today) is always going to be there. I don't know how people are going to pay for it always, but by no means do I think that my magazine is going to disappear. It's been here over 80 years through many different downturns, in different formats for sure, but it's up for best magazine of the year actually. So another 100 years, I hope.

The appreciation of the meeting was expressed by William G. Whittaker, Partner, Lette Whittaker, LLP, and Past President, The Empire Club of Canada.

Peter R. Aceto, President and CEO, ING Direct Canada, Tom Watson, Senior Writer, Canadian Business, Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye, Suzanne Fallender, Manager, Corporate Responsibility, Intel Corporation, and Boyd Neil, Senior Vice-President, Corporate Communications, Hill & Knowlton Canada.



May 20, 2009

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

Christine Elliott

MPP, Whitby-Oshawa Riding, Leadership Candidate, PC Party of Ontario

Frank Klees

MPP, Newmarket-Aurora Riding, Leadership Candidate, PC Party of Ontario

Tim Hudak

MPP, Niagara West-Glanbrook Riding, Leadership Candidate, PC Party of Ontario

Randy Hillier

MPP, Lanark-Frontenac-Lennox & Addington Riding, Leadership Candidate, PC Party of Ontario

PROGRESSIVE CONSERVATIVE PARTY LEADERSHIP

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Ann Curran, Vice-President, Corporate Relations, T.F.C. North America Inc., and Past President, The Empire Club of Canada; Janet D. Carwardine, President, Ontario PC Association of Women; Rev. Dr. John S. Niles, Senior Minister, St. Andrew's United Church, Markham, and Past President, The Empire Club of Canada; Ken Zeise, President, PC Party of Ontario; Larry Stout, Broadcast Journalist; Isabel Bassett, Past President, The Canadian Club of Toronto; Christine Hogarth, Executive Director, PC Party of Ontario; Robert J. Dechert, MP, Mississauga-Erindale Riding, Past President, PC Business Association, and Past President, The Empire Club of Canada; John Prato, Managing Director, TD Securities; and Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Ontario Trillium Foundation.

Introduction by Jo-Ann McArthur

We are pleased to be hosting this first opportunity for our candidates to share a podium and outline his or her values, vision, and views that will drive the agenda of the next leader, whoever is selected. If you are a member in good standing of the PC Party of Ontario, as of Thursday, May 14, 2009 at 10:00 p.m., you have a vote to cast and a decision to make.

To moderate today's event we have Larry Stout who has spent 48 years as a journalist working in print, radio, and television. He spent 23 years with CBC News reporting on national elections and leadership contests, including the conventions that elected Pierre Trudeau and Jean Chretien as Liberal leaders, Robert Stanfield and Brian Mulroney as Conservative leaders and Tommy Douglas and Ed Broadbent as NDP leaders. You could say that Larry "has perspective." Larry then joined CTV News in 1989 and in his "post retirement" continues to provide professional development and training, as well as occasional news anchoring.

Please join me in welcoming Larry Stout who will capably guide us through today's proceedings.

Larry Stout

It is a pleasure to be here today and I must admit that it does bring nostalgia to my particular career because it did begin with John Robarts becoming the premier of Ontario. I covered that for the first time. I was working for a radio station called CKEY. Some of you who are older will remember that station. It is now The FAN 590.

Anyway this is a very special event to be able to take part in and I am really, really looking forward to hearing what our candidates have to say. Over the years I have got to know so many of our premiers in Ontario—John Robarts, and of course Bill Davis, Frank Miller, David Peterson, Bob Rae—and as a reporter I think you tend to try to be as fair as you possibly can. Fairness is really what it is all about and one of the things I discovered about the politicians with whom I had a story line was how fine they were. I think we've had terrific premiers of Ontario beginning at least from my perspective with John Robarts. And I'm sure that the people here, who hope to be the next premier of Ontario, will also have that kind of real attitude toward the people and the province of Ontario.

So let's begin now to hear from these people. Do they have eight minutes or is it 10 minutes? It is eight minutes. I thought so. First to speak is Christine Elliott. Now she is the MPP for Oshawa-Whitby. Prior to her life in politics she was a lawyer. She started her own law firm and practised real estate and corporate law. She is the wife of our federal finance minister Jim Flaherty and the mother of three 18-year-old boys—triplets. And I'm going to sit next to her today and figure out how she can do it all, but she's obviously done very, very well and it is a pleasure to introduce you to Christine Elliott.

Christine Elliott

Well thank you very much Larry. Ladies and gentlemen, officers of the Empire and Canadian clubs, and members of the PC Business Association, thank you for organizing this event and for inviting us to join you here today.

My name is Christine Elliott. I'm an MPP, a mum to 18-year-old triplet sons, a professional, a small businesswoman, a community volunteer, and the last person in the world that Dalton McGuinty wants to become the leader of the Progressive Conservative Party of Ontario.

For the next six weeks we are going to have a debate in our party. It is one quite frankly we need. It will be a debate about policy, about the direction of our party, about where we stand. Underlying it all there is really only one question that matters. Who has the plan to beat the Liberals? Who can reach out and appeal to all those Ontarians who share our values but who are not traditional PC voters? Who is ready not just to lead but who is ready to be premier?

As a long-time volunteer and MPP, I've always fought for the things we believe in—lower taxes, smaller, more efficient government, the rule of law. I'm fighting for those things now.

The tax burden on working families is too high and it's getting worse. Ontario families pay more in taxes than for food, shelter and clothing combined. The time for tinkering with the tax code is over. Extraordinary times demand old measures. I will phase in a single-rate flat tax where everyone especially lower-income families will see their taxes go down. It's fair, it's simple, it works and, most importantly, it allows you to keep more of your own money to spend, save, or invest as you see fit.

The federal EI program is unfair to Ontario. Ontarians who pay into EI during the good times should get benefits in the bad times just like they were promised. If the federal government will not fix it, then we have no alternative but to take on that responsibility ourselves and to create a made-in-Ontario solution.

I will make it easier for small businesses choking on red tape. I will stop the minimum wage increases and work-week restrictions that are killing small businesses and hurting the poorest Ontarians.

I will make sure that crime never pays and that the rights of victims always come ahead of the imagined rights of criminals.

These values are part of our DNA as Conservatives, but I believe that there is another tradition too—one that we need to proudly reaffirm. Compassion is a part of the legacy of our great party and it's deeply embedded in the people of Ontario. We have to make it easier for people to express their kindness and desire to help others. There are so many wonderful charities out there that bring services and programs to people who need them. They do a far better job than government ever could. So I've proposed doubling the provincial tax credit for charitable donations. I want you to know that any Progressive Conservative government I lead will never forget its responsibility to make sure that no one is forgotten or left behind.

Last week Tim, echoing an earlier announcement by Randy, called for the Human Rights Tribunal of Ontario to be scrapped. In my view that would be a mistake. We all know that the commission and tribunal are flawed and are venturing into areas where they have no business. And they have been hijacked by groups whose aim is to stifle open debate and free speech. These are abuses that must and will be stopped. But to scrap them altogether would hurt those who suffer from real discrimination. I'm talking about discrimination in the workplace, denying people a place to live, sexual harassment, protection for those with disabilities. These are the people the system was meant to help when it was founded by the Progressive Conservative government of John Robarts in 1962. People who are vulnerable and who lack the means to fight for the rights through the costly legal process. We must return to that original mandate. Premier Robarts said, "There are two principal and closely interrelated purposes. The first is to make secure in law the inalienable rights of every person and the second is to create a climate of understanding and neutral respect so that every person will be afforded the unhampered opportunity to contribute his maximum to the enrichment of our society, of our province, and our nation." Ladies and gentlemen, surely as a party we must recognize the dignity and worth of every person and to guarantee equal rights and opportunities without discrimination.

But there is another issue here as well. Are we really serious about wanting to win the next election? I know I am. If we take the position that Tim is advocating, it would be a gift to the Liberals. One that they would exploit as ruthlessly as they did the issue of faith-based funding. Why on earth would we want to expose ourselves by plunging recklessly into such a controversial issue? Just like faith-based funding, this is a policy that was made with the short-term goal of winning a leadership campaign. If we are going to beat the Liberals we have to show better judgment than that.

To show I'm serious about winning I did something different. I launched a tactical campaign plan—the path to victory. It is a detailed step-by-step road map to take us from now until October 2011. It is a plan to build the machinery we need to beat the Liberals. As the next leader of the PC Party of Ontario, I will leave no stone unturned to ensure that we are ready to win the next election. I would be honoured to have your support.

Thank you very much.

Larry Stout

And thank you very much. Our next candidate is Frank Klees. He is the MPP for Newmarket-Aurora. He was first elected to the provincial legislature in 1995. He served as Minister of Tourism in 2002. He is now caucus chair for the Official Opposition and critic for both the Ministry of Transportation and the Ministry of Public Infrastructure. Before entering politics Frank worked in the financial-services industry. He is married and has two adult children. Frank Klees ladies and gentlemen.

Frank Klees

Thank you Larry. As you were doing that introduction it reminded me of the time that we were in government and I have to tell you it is a lot better being in government than being in opposition. In fact I recall about two months after losing the election being on a flight to Ottawa and a young lady was sitting in the aisle across from me. She kept looking at me and obviously I thought she recognized me. So I introduced myself. I said, “Hi. I’m Frank Klees.” She said, “You used to be somebody, didn’t you?” And that was one of those moments where you realize that people respect the office and they forget about the person pretty quickly.

It actually reminded me of another point when I was reaching for my dose of inspiration which I always do every morning, the Toronto Star. This was the day after I made a call in Parliament to the premier to strike a select committee of the legislature to deal with the economy. This was before the term global recession was even on the radar screen. I called on the premier and I said, “Look the clouds are gathering. We need a succinct economic plan for the province,” and he dismissed it. Well here is the editorial of that Toronto Star that I picked up and I could not believe it. There in the editorial of the Toronto Star was an endorsement. They actually used my name. An endorsement of that call for action on the economy. So this was the first time in 14 years that the Star aligned with me on an idea that I had brought forward.

But my friends, against that backdrop, the premier then brought us in a budget in which not only did he not strike an economic plan for our province but he asked each and every one of us and our children and grandchildren to sign a promissory note for some $14.5 billion of deficit. He then to make that pain go away struck us with another $2.5 billion of taxes on a thousand products and services that have never been taxed before called the HST and then to make us all feel really good about three weeks after that he collected Ontario's first welfare payment compliments of the federal government because of his great stewardship as leader of our province.

My friends, we need leadership. I respect my colleagues tremendously, I consider them all three friends, and they bring their own perspective to this race, but here is why I am in this race. I believe that during these difficult economic times that the premier of this province must have a sense of the real world of business, what it takes to get us out of this recession, and what it takes to unleash the potential in this province of its entrepreneurs and its businesses. I had 25 years of business experience before I was elected. I know what it's like to build a business from scratch. I know what it's like to meet a payroll. I know what it's like to create jobs and I know what it's like to fight government red tape and bureaucracy and I want to change that on behalf of businesses and entrepreneurs in this province.

The first step that we need to take is to re-invigorate a red-tape commission that is mandated to cut across every single ministry of this government and strip out the unnecessary red tape and regulatory burden that is suppressing the entrepreneurial spirit and that's keeping our businesses from doing business. That would be the first step. It will cost government nothing, but I believe that it will revive business in this province.

Next I want to change how government works altogether. I am sick and tired of having MPPs muzzled and handcuffed by the leaders of their parties. Under my administration every single vote in the legislature would be a free vote, because if I can't count on the ingenuity and the initiative and the responsibility of individual MPPs why are they even there? And so by allowing individual MPPs once again to do what they were elected to do and that's to represent their constituents and to vote according to what they believe is the right thing to do, I believe this will remove the cynicism from politics. We are all alike. We take the marching orders from the chief and then we walk out and we read their scripts. Not under my leadership. We are going to revive democracy in the province of Ontario and with your help we can do it through the PC Party of Ontario.

I want to also do this. I want to invigorate our party membership. I believe that policy developed by our party should be developed by the grassroots. In 1991, I went to the floor of our annual general meeting and I moved a constitutional amendment that would require that every single platform piece in our platform as a PC party be developed by the grassroots, vetted by the grassroots, so that there would be no surprises. And when we develop policy that way, we win. And when we don't, we lose. And I don't know about you but I want to win the next election. And so we will in fact develop policy that way and we will develop policy based on the principles and values that define us as Progressive Conservatives. On the one hand is fiscal responsibility. If you have the ability to work and earn an income you have the responsibility to look after your family. On the other hand we believe in social responsibility. If there are people in our province who by virtue of disability cannot look after themselves, we collectively have a responsibility to look after those people. The balance of fiscal responsibility and social responsibility is what defines us as Progressive Conservatives.

That's the kind of leadership I want to bring to our party. That's the kind of leadership I want to bring to the province. And when we do we will win and I look forward to forming the next government of Ontario with your help.

Thank you so much.

Larry Stout

Thank you very much Mr. Klees.

Well our next candidate is Tim Hudak. He is the MPP for Niagara West-Glanbrook and he and his wife and young daughter live in Wellandport. He has a master's degree in economics. He was first elected to the provincial legislature in 1995 and served as a cabinet minister in both the Mike Harris and Ernie Eves governments. He and his wife Debbie Hutton are the parents of a lovely daughter.

So it is a pleasure to welcome to our podium Tim Hudak, the MPP for Niagara West-Glanbrook.

Tim Hudak

Thank you very much Larry. Thank you ladies and gentlemen for joining us today. Thanks members of the Empire and Canadian clubs and the Ontario PC Business Association for organizing today's event.

My friends, Ontario is on the wrong track. We have lost some 300,000 well-paying manufacturing jobs under the Dalton McGuinty government, unemployment is pushing higher and higher and higher still and the budget deficit is forecast to be the highest in history, some $14 billion. And who in this room ever would have believed that the mighty province of Ontario would become a have-not province?

Friends, I am running for the leadership of the PC Party of Ontario because like so many Ontarians I am deeply concerned about Ontario's future under Dalton McGuinty and the Liberal government. I believe Ontario deserves far better.

I want to be leader of our party and premier of this province because Ontario's families want a premier who is dedicated to working night and day to building a better future than the one being built today.

To overcome our problems today and restore Ontario to its rightful place as the powerhouse of economic growth and job creation for middle-class families, I believe we must stay rooted in our party's conservative principles. Departing from those values, as some suggest, is not the way forward.

The PC Party of Ontario wins elections and we speak plainly and offer conservative ideas that reflect the values, hopes and dreams of middle-class Ontarians. Values like rewarding hard work and ingenuity, support for our families, particularly those raising a young child at home, lower taxes and living within our means, support for the Canadian value of home ownership, respect for the rule of law. That's what's right for Ontario and that is what will bring the PC Party of Ontario to victory in 2011.

I come from the middle class. I am the grandson of immigrants. My grandparents came from then Czechoslovakia to Ontario because they believed that if they worked hard and played by the rules they'd provide a better future for their children and their grandchildren. And because of their sacrifice I now come from that vast middle class. But that's increasingly not the case for new Canadians in Dalton McGuinty's Ontario.

I first ran for office in 1995 because our province was being devastated by a deep recession and today, just like then, I want to make a difference. As an MPP for almost 14 years, I have concentrated on helping middle-class families by advancing solutions that encourage economic growth and job creation. And in government I was honoured to lead three economic ministries and while in office I always made a point of listening and learning, but when the time came to make a decision I provided the strong leadership necessary to meet the challenges head-on.

I am proud to have served in the government that led Ontario out of a recession and created one million new jobs. And we achieved this because we put in place a solid plan based on our conservative principles and we did what we said we were going to do.

Throughout this leadership campaign I have put forward a number of policies that are anchored in those middle-class values that stand the test of time, that built our province in the first place, and that can renew Ontario today. I'm proud to run on a platform of renewing those values and in the process renewing both our party and our province.

I will give you two examples.

I've called for an immediate one-year payroll tax holiday on new hires to encourage job creation. I've set a goal of having the lowest taxes on business investment in all of Canada. I want to end the picking of winners and losers by politicians by scrapping Dalton McGuinty's corporate welfare programs. And I want to strengthen the incentives for individual responsibility and achievement to help the unemployed move from welfare to work.

And Ontario's middle-class families also value the family itself, particularly those with small children at home. Let's let our party be their voice and do what's right for those middle-class families. I propose that we allow each child in the province to start saving for the future by providing them with a $1,000 newborn savings account. I believe we must stop the government from penalizing parents who want to stay at home and work part-time and start allowing income-splitting for families with young children. And I want to help home buyers achieve their dreams today with a one-year freeze on the provincial land transfer tax and to help ensure that all children learn to read with a focus on phonics in education, and very importantly, make economic and financial literacy mandatory in our high school curriculum.

At the end of June our party members will face a clear choice for leader among the four people you see before you today. Here's where I stand.

We will win if we choose a leader who has the energy to unite our party behind a truly conservative plan for 2011. We do not have to choose between winning elections and running on our conservative principles, in fact quite the opposite. Together united and strong we will focus on economic growth and job creation for middle-class families. Together united and strong we will defeat Dalton McGuinty's Liberals in the next election and together united and strong we will turn Ontario around and make it the economic powerhouse in all of Confederation.

My friends, thank you very much.

Larry Stout

Thank you very much. And now our fourth candidate, Randy Hillier. He represents the riding of Lanark-Frontenac-Lennox and Addington, which is in Eastern Ontario, one of the nicest parts of this province. Randy Hillier is a first-time MPP. He calls himself a libertarian. He lives in the town of Perth, is married, and he and his wife have four children. He is an electrician and recently was one of the founders of the Lanark Landowners Association, which was formed to help rural Ontarians in response to what he regards as over-regulation. Here's Randy Hillier.

Randy Hillier

Thank you very much Larry and thank you all for being here today. It's been an absolute pleasure. This is the first time I have been invited to speak at the Royal York Hotel on behalf the Empire and Canadian clubs. So thank you very much.

I want to begin by stating what is probably obvious. I'm not a lawyer. I'm not an academic and I'm not a career or polished politician. I'm an electrician and I represent the people of Lanark-Frontenac-Lennox and Addington. And

I've also learned that I'm the dark horse in this leadership race for the PC Party. Now over the years I've been called many things by the paper and press, but this is the first time I've been called the dark horse. So I just thought I would take a look and make sure I knew what a dark horse meant. And a dark horse describes a little known person or thing, which emerges into prominence. A dark horse is a racehorse that is unknown and is difficult to place odds on. But I'm in good company. Over the years there have been a few other dark-horse candidates. Presidents Abraham Lincoln, Hayes and Garfield were dark horses, as well as Prime Ministers Winston Churchill and the Iron Lady Margaret Thatcher. So I find myself in good company. But I would say if there are any gamblers here in the audience today don't forget there is a dark horse in the race. And I also remind you that gambling is illegal in Ontario unless the bookie is a bureaucrat at the OLG.

Now you might be wondering why any sensible person would want the leadership of the PC Party. With our track record lately it has not been an easy job to have. Many describe the job as herding cats and they're right. That's because Conservatives are independent, self-reliant and productive individuals. They need to be harnessed, not herded. You can herd Liberals just as you do sheep, but don't try it with Conservatives. And that's what the next leader of our party needs to do—harness this team of individuals, focus their energies, define their purpose, and motivate their ambitions to succeed. And whoever can do this will be the next premier of Ontario. We have had many leaders over the years who have tried to herd Conservatives and act as Liberals. They've always failed and they always will. We must learn not to repeat our mistakes.

Thomas Edison has been said to have done 50,000 experiments, trying to invent the light bulb. At one point his assistant said to him, "It's time to stop, " because after so much work there were still no results. Edison replied to his assistant, “Yes, we have worked long and hard but the results are excellent. We have a list of 50,000 things that we know won’t work.”

Like Edison, Conservatives have a long list of things we know that don’t work. But come election time, we often get a severe case of amnesia and develop a split personality. We become medicated by the media like the Toronto Star and others. We get sedated by our backroom advisors and then our pollsters and focus groups transplant our hearts and our minds, our passion and our reason, and replace it with pragmatism and caution.

Let me share with you another observation about political advisors. The backrooms. Backroom boys and girls. They seek to keep candidates hidden from the media. They hand us our briefing notes and hold our hands so we don’t trip or stumble. Well I have no backrooms. My advisors are the forgotten people, the unheard people, the unseen taxpayers, the farmers, the businessmen, fathers and mothers and tradesmen.

Chester Bowles, an American writer, said, “Government is too big and too important to be left in the hands of politicians.” And I agree. Elected representatives must leave the backrooms and take our advice from the kitchen tables. I started my career around the kitchen tables listening and that is still where I get the best advice. My last observation is this. We believe that the Liberals won the last election but we’re wrong. A party named “none of the above” got 48 per cent of the vote. People voted with their feet and chose to stay at home. Half the people did not see any value in voting for the major parties let alone the minor parties.

What happened? A little thing called apathy. It is not a disease; it is what happens when “none of the above” is on the ballot. It is illustrated by the phrase, “Liberal, Tory, same old story.” It is what happens when politicians are out of sync with mainstream people, but in tune with the mainstream media. The next leader of the PC Party must create a party that reflects the view of everyday people. It must listen to those forgotten people. We must be unlike the others. We must defeat “none of the above” before we can win.

The majority of people in Ontario are conservative by nature, although there are always a few exceptions out there. Some people will never vote for us because unlike you and I they like the nanny state. They enjoy the “cradle to grave” government comfort zone. They are not independent. They are not self-reliant. We know that what works for the Conservative Party is also what works for Ontario and Canada. It is the Conservative Party that protects our freedoms not with regulations and red tape but by abolishing the human rights tribunals, protecting our rights in real courts with real judges and protecting freedom of conscience; a Conservative Party that promotes justice and equality for all, not with perks and privileges but by ending government monopolies; a Conservative Party that listens and hears and acts for everyday people, not just big unions, big bureaucracies, and special interest groups; a Conservative Party that is full of honesty and is forthright and truthful. Not a party of spin, excuses and broken promises. Conservatives have been fearful of building a lasting Conservative Party, but I know that if we build it they will come. Who will build this party? It is your choice, but I know freedom, justice, and democracy are the heavily favourite groups.

Thank you.

Larry Stout

Thank you very much Randy Hillier. Well there you have it. The people who are putting themselves forward as potential leaders of the Progressive Conservative Party and indeed potential premiers of Ontario. We thank them very much and by the way I wanted to re-emphasize that this particular program has three sponsors—the Empire

Club of Canada, the Canadian Club and the PC Business Association so thank you to all three of those sponsors.

Well now it is time for us to sit back, enjoy some good food, some good drink, and perhaps think about what these candidates had to say. I know that in the years that I covered politics I actually came to believe that they are people who do want to do what is best for our country. So we thank them all for taking the opportunity to put themselves in front of the public and we wish them all well. Thank you so much for coming and enjoy your lunch.

The appreciation of the meeting was expressed by Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Ontario Trillium Foundation.

Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye, Tim Hudak, MPP Erie-Lincoln Riding, and PC Leadership Candidate, Randy Hillier, MPP Lanark-Frontenac-Lennox and Addington Riding, and PC Leadership Candidate, Larry Stout, Broadcaster, Journalist, and Honorary Director, The Empire Club of Canada, Christine Elliott, MPP Whitby-Oshawa Riding, and PC Leadership Candidate, Frank Klees, MPP Newmarket-Aurora Riding, and PC Leadership Candidate, and Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Ontario Trillium Foundation.

May 21, 2009

Tyler Hamilton

Senior Energy Reporter and Columnist, The Toronto Star

Tom Heintzman

President, Bullfrog Power Inc.

Kerry Adler

CEO, SkyPower Corp.

John C. Thomson

CEO, Yield Energy

ALTERNATIVE ENERGY: HOW MUCH, HOW SOON?

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

John Walker, President and CEO, Transition Plus Sustainability Solutions Inc., and Director, The Empire Club of Canada; Rev. Michael Clarke, Associate Priest, Christ Church, Brampton; Jonathan

Lippett, Grade 11 Student, Danforth Collegiate and Technical Institute; and Elizabeth Bronson, Assistant Vice-President, Information and Business Analysis, The Dominion of Canada General Insurance Company.

Introduction by Jo-Ann McArthur

How many times have you heard the phrase, "Canada needs to get with it," uttered in the context of alternative energy? Germany leads the world, perhaps because it doesn't have Canada's natural resources. That seems to hold us back in the past rather than creating the future.

To guide us through how to balance present economic realities with future imperatives we have Tyler Hamilton as our moderator.

Tyler is senior energy reporter and columnist for the Toronto Star. For the past four years he has also been writing a personal blog called Clean Break that discusses trends, happenings and innovators in the clean-tech market. Tyler is the pre-eminent journalist in this space in Canada.

Please join me in welcoming Tyler and his panel to our stage.

Tyler Hamilton

Thank you Jo-Ann. It is a pleasure to be here today and I must say that I'd rather, I think we all would rather, be out sitting on the patio. It is a beautiful day out there and the sun shining today is kind of fitting because we are going to be talking about renewable energies or alternative energies in this session.

What is alternative energy? It is a good question to ask because we hear all sorts of different phrases.

Is alternative energy emission-free energy? Well not really because we've got nuclear power which is emission-free and we wouldn't consider that alternative energy.

Would we consider alternative energy renewable energy? Well we've got the Adam Beck plant at Niagara Falls, which has been there for 100 years and it's been providing us with renewable energy and we wouldn't consider that alternative energy.

Would we consider alternative energy green energy? Well maybe if you're from Calgary you'll think of a coal plant that gasifies coal and captures the carbon dioxide and puts it underground as green energy, but I really don't think that's green energy either.

So for the purpose of today's discussion, I'm going to narrow the focus down to alternative green energy, just because if you use the term "alternative" broadly you can get into a whole suite of different things. But I think the focus should be on green energy—wind, solar, biomass, biogas, geothermal. It may seem silly to call this alternative energy, given all the recent media attention from people like myself. But the sad truth is that these forms of energy, despite all of their hype and hope, only account for a small percentage of Canada's electricity and thermal energy production. And that's why we keep calling it alternative.

But things are changing. Ontario has just passed its Green Energy Act, an ambitious piece of legislation that we will talk about today. This gives renewables and conservation top consideration in the design of our electricity system. On a global scale, 75 countries around the world signed a statute recently to create the International Renewable Energy Agency, which is kind of a counter-balancing agency to the fossil-fuel-focused International Energy Agency and the nuclear-focused International Atomic Energy Agency. It is worth noting that Canada is one of the only developing or developed countries, that has refused to join this renewables agency.

If there is one thing our three panelists have in common it is their unwavering commitment to green energy and I presume it is also their goal in life to lose that alternative label so that we are not talking about what they do as alternative. We want it to become a core part of Canada's energy mix.

Tom Heintzman is President and Co-Founder of Bullfrog Power, a Toronto-based green electricity retailer, that was launched in 2005 on the belief that some people would be willing to pay a premium for electricity that doesn't come from fossil fuels and nuclear. And it turns out that they were right. They have got more than 8,000 households that are Bullfrog-powered and they have since expanded into Alberta and British Columbia.

Kerry Adler is Co-Founder, President and Chief Executive Officer for Toronto-based SkyPower Corp., a leading wind and solar-power developer in Ontario. SkyPower, in fact, has several large solar farms under various stages of development in the province and was recently awarded a large wind power supply contract by the Ontario Power Authority.

And representing the biogas side of renewables is John Thomson, President and CEO and founding partner of Toronto-based Yield Energy. Yield uses anaerobic digestion technologies to convert organic waste into biogas, which can then be used to generate electricity or provide heat for homes and industrial applications. John is also the founder of Energen, which brings together large industrial, commercial and institutional power users wishing to take part in demand-response programs in Ontario.

Can we please welcome our three panelists.

I'm going to throw out a broad question. In the brochure this session is described as: "Alternative energies. Why has it taken so long? When is it really going to come?" In your view, being on the leading edge of what's happening in this province and in Canada, how would you answer that question? Are you convinced that we are reaching the tipping point where alternative energy is not really going to become an alternative or the alternative?

Kerry Adler

I think we are here. Six years ago I think we had 150 megawatts of renewable energy in Canada. The legislation has been put in place by the ministry here in Ontario. It is the leading example of governments that are forward thinking, that listen to development companies, and that listen to what is needed in this country. We all know that the federal government of Canada is quite absent from renewable energies. Stephen has really left it to the provincial governments and I think we are at the tipping point where all those investments made to date are about to become realized and those jobs that we've all been talking and hearing about are going to become a reality. We are here now.

Tyler Hamilton

Tom, you've got 8,000 customers at Bullfrog, but obviously there are millions of customers throughout the jurisdictions that you provide service in. People, kind of first movers, are signing up. When is it going to become the standard thing that we get?

Tom Heintzman

I would be a little less sanguine than Kerry. I don't think we're quite at the tipping point yet and I think it has to become more cost-competitive in order for the mainstream population to sign on. That will be partly a result of technology progress and certainly all sectors of alternative energy are becoming more efficient and prices are coming down. It is also in how we manage our systems and how we think of electricity systems. There's a lot being done there and I think we'll get into that in the discussion, but I think that's really going to unlock a lot of opportunity for renewable power. Then lastly it's how we think of energy. The way people think about energy will change over the next 20, 25 years, so I think the snowball is growing but I wouldn't describe us as being at the tipping point yet.

Tyler Hamilton

John.

John Thomson

Well I guess I'm in agreement with Tom. Fundamental change has to come from society itself. We as a society must recognize that we have to have these different technologies, we have to generate our energy differently, and we have to manage it differently. We, in our previous company, looked at how energy was managed. We are now looking at how energy is generated. What we have found is that there is a lot of education that has to go on. We've had the luxury in North America of a huge natural resource pool. We have been able to tap into energy sources and have a way of getting rid of the waste that's produced and a seemingly endless place to put it. And the reality is in places like Europe they faced these challenges years ago and society made the change happen. It resulted in regulatory changes that then resulted in the financial markets responding to make these things possible. Until we as a society make that attitudinal change and accept that energy can't be had at a bare-bones price and that there is a cost of producing it and a cost of using it, we as a society will still remain stuck but I actually do see it changing. Ontario obviously is taking a leadership role here. We are seeing the price of energy starting to become reflective of the reality and you are starting to see a growing movement, as illustrated in Bullfrog's customers, of people out there who are willing to take that leadership step and make the change happen. So we are not quite at the tipping point but we are getting darn close.

Tyler Hamilton

Is part of the problem trying to shoehorn renewables and green energy into an electricity system that was designed for large-scale generation nuclear plants, large coal plants, instead of as you mentioned rethinking the whole system? The reason why Hermann Scheer started this International Renewable Energy Agency is because he didn't want to play within the club that was set up by the fossil fuel and nuclear industry. He wanted his own club because he believes that the structure of the whole industry has to change to enable these other technologies. Do you agree that this is a problem?

Tom Heintzman

I would agree and I would even take it up a level. I'd say not just the energy industry but the economy is built on a way of perceiving and treating electricity. Up until the end of the 1950s, up until 1960, Ontario ran 99 per cent on water power. It was cheap and it was plentiful and as a result, with a richness in primary resources, a heavy manufacturing-based industry grew up in Ontario on cheap power. That hasn't been the case since 1960, but we have been artificially subsidizing ratepayers for the last 40, 50 years. Our economy is built and predicated on that in great measure so I would agree that the electricity system is old but it really requires a real rethinking of how is Canada or Ontario going to succeed once we start pricing in carbon, once low carbon fuel standards start emerging? All these things are going to force us to rethink not just our electricity industry, but the way our economy operates.

Kerry Adler

I guess it comes back to what you mean by a tipping point. His business is very different because he is trying to get consumers (I call them hydro junkies), who are used to four or five or six cents per kilowatt power, to pay 11, 12, 13 cents. We are not there. We are not there. I think governments around the world today, in particular in Canada, are subsidizing electricity because getting people off the bottle is very hard to do. I think that if you really want to drive them in conservation you have to force people to realize when they leave the lights on what the real cost of that is. I think moving to time-of-day pricing will change it. We are at the tipping point because we finally have a government here in Ontario and in other parts of

Canada, Quebec is another area pro-active on renewable energy, that is realizing that renewable energy has to be part of the mix. They are prepared to pay a fair market price for it and they are prepared to put in place, as evident in the Green Energy Act, the necessary legislation to ensure that these projects get built and jobs get created. I think that is where we are today. That is what I mean by the tipping point.

John Thomson

I think we are sharing a common opinion here in that those fundamentals need to change and I think you are recognizing that certain jurisdictions such as Ontario and Quebec are taking a leadership role in that. The challenge is that Ontario and Quebec are just part of a very broad mixture in North America. I'm really excited at what's happening here and I think what you guys are achieving with solar and the support you are getting for it is fabulous. As you look at all the other sectors of renewables and the challenges you face, you're talking about how energy is built and distributed. There's no question we built on a centralized model—big plants in rural areas with large transmission lines feeding the urban centres. We have to change that model. We have to change from large industrial centres to a more distributed nimble company that can react better. I think that is the larger tipping point I guess I'm referring to. I look at our business in biogas. One of the challenges we have is that we are not simply tapping into an existing source of energy such as the sun or the wind. We have to help mobilize change in other areas as well. We have to change the waste management industry, we have to change the way people fertilize their land, and that all interconnects. You start seeing the broader picture of how the world, society as a whole, has to move to a different way of thinking. And so, as we see that happening, I'm thrilled to see wind and solar starting to get much bigger play, but now we want to see the rest of the changes happen. Regulatory environments are key for our industry. If we don't have the support of governments, we don't have the support of the regulatory environment to make it happen. How do you get that change? Society changes. People think differently, react differently and participate. I'm quite excited that the Green Energy Act reflects on that too.

Tyler Hamilton

On the issue of pricing, our prices have been low. It is a strange thing when you see gasoline prices double and there's a protest but really there is this kind of acceptance that we can't do anything about it. Yet, because electricity has been regulated, when it goes up 5 per cent people go crazy. I know I get the e-mails at the Toronto Star. So we have definitely become addicted to these lower energy prices. Do you think that we've done a bad job of telling the average person that electricity no matter how you are going to get it is going to cost more? When you think about it, building Niagara Falls hydroelectric generation 100 years ago must have cost a lot for the generation that was doing it and we're benefiting from that investment. You could conceivably say wind and solar might cost more today but that's an investment for future generations that will benefit from what will become cheaper power.

Kerry Adler

If you pull up at any gas station here in Canada and fill up your car, you'll see a sticker on the gas pump that will say exactly where the proceeds of that price per litre go. If any of you have ever looked at it, you'll see that the vast majority goes to taxes. Can we do a better job of educating consumers and businesses to look at the real cost of energy? I don't know today what the real cost of energy is. I don't know what percentage of my bill is actually subsidized. If I did know that, maybe I would react differently. Legislation must be put in place to not only encourage renewables but also encourage conservation, and the only way people actually conserve is when they feel it in the wallet.

John Thomson

Absolutely. Feeling the pinch in the wallet is what seems to drive change in our economies. Until people feel it, it becomes something they don't think about. And even when you have good promotional efforts to make change you get a subset of the population that are willing to make the step, but to get it overall it has to hit the wallet. It has to change the way people behave.

Tyler Hamilton

Well Tom how does that affect you because your business is basically based on people who are into self-punishment by voluntarily paying premiums for their power, right? If the government starts to move in that direction and starts to recognize we have to reflect carbon prices and other things and the price rises, then suddenly that changes the game for Bullfrog. So where does Bullfrog see the long-term plan?

Tom Heintzman

If you compare the cost of renewable electricity with the cost of conventional electricity there's a reasonably big gap today. I wouldn't call it self-inflicting punishment, but the virtuous and the foresighted are signing on for Bullfrog power. But we do see that gap closing over time. I think you're going to see over time the proper, at least closer to the proper, price of electricity. There are many arcane rules in the market system about how it operates that artificially suppress the price and those will take a long time to weed out, but you will see the price of conventional power rise over time. I think you'll also see carbon pricing come in in some shape or form, whether it is through a cap and trade or whether it is through a carbon tax, and you'll see continued improvements pushing down the prices of renewables. So you are going to see that price gap close over time and certainly my hope and belief is that in the course of our lifetimes it will get very close to parity, if not lower. In Colorado, you can get a wind power package that is less expensive than conventional electricity so it's definitely doable. For me the real question is, "Is Canada going to be a leader or a follower?" And we always view this as a debate about the cost of an input as opposed to the jobs and the GDP that can result from this and we really have to change that paradigm. The United States are changing it right now as we speak. If we don't we are going to lose out on that huge economic opportunity that it will represent.

John Thomson

I listened to Kerry talk about the real cost of energy and I looked at you as you stacked up the differences and the things we have got to change to get to a parity point. I think it is absolutely right. What we fail to recognize in North America is the cost of the waste. If I put up a coal plant, there's a waste product and it goes into the atmosphere and there's a cost to that. There's a health cost; there's an atmospheric and environmental cost. We are not factoring that into our energy. We talk about nuclear being clean. The reality is we don't talk about what to do with the waste product. How do we get rid of it? How do we manage it? How do we store it for 50,000 years? Until those components get back into the cost of energy, renewables will have a tough time. But once you start seeing those elements come into the game and we're seeing it already with the carbon elements, suddenly we can compete and that's where the price parity comes in. Whether it is the guy who is burning the coal, paying a fee to get his offsets made, or the renewable being able to gain something from the fact that they actually reduce the emissions, when we start dealing with the waste component of energy generation then I think we will see the parity come.

Kerry Adler

It is testing the laws of economic parity. It is clear that as we start paying more for energy and as the government takes us off the bottle and actually starts charging us more, we will conserve more. That will actually be a boost for renewable and alternative, what you call alternative energies, because today you can operate and bill wind power for 13, 14, 15 cents depending on the wind regime and solar for 45, 50 cents. But that is going to change with technology and it's also going to change with people's mindset. I was in Israel about six months ago and as I flew into Tel Aviv airport and looked out my window all I saw were solar panels or hot water heating on every single roof in Israel. And a month ago I was flying back from overseas and I was landing in Amsterdam and every single rooftop near the airport was covered with solar panels. How can they be smarter than us?

John Thomson

They say in Germany you can drive through the countryside and there's a biogas plant, with solar panels on a rooftop behind, and a windmill spinning beyond that. They have really figured out how to integrate this on a decentralized interconnected model. We have just got to catch up and then we can lead.

Tyler Hamilton

Kerry mentioned solar thermal and maybe both of you can talk about the opportunities. I guess the biogas also could contribute to the thermal side as well. We often talk in Ontario about electricity and what is often forgotten is the impact of renewable energies on the thermal side. Bullfrog recently announced a partnership with Enbridge to put solar thermal panels on homes for domestic hot water heating. Can you explain that?

Tom Heintzman

Sure. It goes back to your question about the tipping point. In my response and Kerry's I think we bundled all alternative energies into one bucket, but the truth is there are many and they are all at different stages of being economic and solar thermal would be one of those ones that are here today. With solar thermal and geothermal, I think you can make a strong case that they are economic today. The solar thermal panel works by taking the sun's heat, but instead of converting it into electricity you convert it into heat for use with hot water tanks or radiant heating, that kind of thing. And the payback period is, depending on what facility you get and what the surface of your house is, in the seven to 10-year range. And then after that it is making money for you. With a seven-to-10 year payback, businesses make that kind of investment quite frequently so solar thermal is here today and will only get better. The third company in our partnership of Enbridge and Bullfrog Power is EnerWorks, a neat Goderich, Ontario-based, manufacturer. That for me is a great example of how jobs and economic opportunity can come to Ontario by moving quickly into this area. Those are fully exportable. We could be setting those up around the world. I hope we get into how the system works but the software requirements to run a smart system and the potential for exporting that worldwide is enormous as well. When I look at Ontario, historically a leader in renewable electricity, a real leader in information and communication technologies, and also the automotive sector, those three things converge on a smart electricity system. We should be a champion. I fear it will be our bureaucracy and our structure for lack of a better word, our bureaucratic structure, that will hold us back.

Tyler Hamilton

There's a lot of investment south of the border in smart-grid technologies. There's talk about electric cars being a way to wean ourselves off oil-based fuels. Do you see the hype that's around the smart grid happening? Do you see all that investment changing the whole way we do things and getting back to that question about not shoe-horning in alternative energy technologies but making it much easier to integrate into the electricity system we have today?

Kerry Adler

If you look back a couple of years ago in Ontario they launched a standard offer for anyone with a solar panel on the roof or in the field or a wind turbine to get themselves a contract. That was burdened with a lot of bureaucracy. I think the government with the Green Energy Act, and the speed at which they have implemented it as well as a change in the tariff, has signaled that they are serious. They are here, they are serious and they want it. Will you have bureaucracy? Sure. Will you be able to work through it? Yes. But are we going to have to wait 18 months to get a permit for solar or windpower for biomass, for biogas? No. I think the ministry has promised a six-month service guarantee and I don't see any reason not to believe them. They need the jobs. We have lost them in the auto sector. They are not coming back unless they figure out a way to come up with water power in the next two years. We are at a tough crossroads here in Ontario and I think you have really got to applaud a government that's said, "We are not just going to sit back and watch these jobs go and we are not going to let this opportunity waste away. We have good sun here." Most people don't realize you have better installations here in south-western Ontario than in Miami, Florida, the only reason being that we have less cloud cover. We have some wind here. It is not the greatest wind in the world, but it's good enough to make the economics work and I think we have got a bright and windy future ahead of us for some real jobs and real growth in renewables here in Ontario.

Tom Heintzman

Tyler, your question is about the smart grid and Kerry's focusing mostly on generation. Transmission, distribution, conservation, consumption, storage, and electric vehicles make up a whole chain and we tend to at every level of government fragment it and try to solve different pieces of the puzzle, but it is one big system that has to be optimized. Your question I think was, "Is this a big thing? Is the smart grid hype for real?" For me it is like sitting in the late eighties and saying, "Do you think this Internet is going to change anything?" This is huge. Energy is the currency of our economies and will fundamentally transform how we all and everything runs on energy. And that's going to be an enormous driver over the next 25 years.

Tyler Hamilton

Someone forwarded me an e-mail the other day about how Cisco, the heart of the Internet, is now focusing its attention on the smart grid as the big revenue opportunity for them. And they have an entire strategy around smart grid development.

Tom Heintzman

Everything that uses electricity is using it in a dumb fashion, not an intelligent fashion, and everything you see that uses electricity will have an IT address in the not-too-distant future and that's basically what the Cisco announcement is about. We'll be using it in a much more sophisticated, efficient manner. There will be lots of conservation benefits and lots of job benefits and it will really help benefit renewable technology as well. Not just in storage because that is a bit of a holy grail for renewable technology, but also being able to shape load. We are so focused on trying to shape load meaning more new plants in order to conform to society; it is kind of a crazy, knee-jerk. We need it at 9 a.m., we need it at 6 p.m., because that's when we are coming home. This turns the paradigm on its head. It says there's a heck of a lot of demand that we can shape to fit the renewables so you can really maximize renewables. I think the smart grid is going to be revolutionary but I think it will be a great boom to renewable power as well.

Tyler Hamilton

With the smart grid it is not only about generation but it's also about controlling the flow of power more where you want it to go rather than the one-way kind of push. It is two-way.

John Thomson

I think the big part is to get the consumer, the user, engaged. I do see changes and again I think Ontario is a bit of a leader in the North American climate with the introduction of the smart metre program. I'm a little disenfranchised by the fact that we seem to be putting still more dollars into the old grid—bigger transmission lines, refurbishing nuclears—but I'm seeing a shift. What I saw in the demand-response business is that you have a huge opportunity to change what we build and how we build it and where we build it. I'm not sure of the exact statistics. Something like 20 per cent of our generation capacity is built to deal with 2 per cent of the requirement. It is a massive overkill to deal with a very small problem and behavioural changes can come through the smart grid. We can have better actionable signals where the user is prepared to be shaved off a bit and where the industrial load can be shaved off a bit in response to a growing demand in the overall market. This is a huge market and a huge opportunity. We just haven't seen the full investment happening yet. I've seen some of it. We had a great start with Peter Love and the Conservation Bureau. We need to see more investment, more regulatory support to that.

Kerry Adler

It's coming. I think the focus today is to mix up the generation a little bit. Get that generation mix fixed, get the smart metres in every Ontario home. The smartest grid in the world I just learnt recently is, believe it or not, in Russia. NL over a period of two years put every single home in Italy on a smart grid. I don't think Canadians are going to be running out at negative 30 degrees with the winds blowing and checking their metres to see how much they are actually spending, but with Tom's plan they may be able to log onto the computer and see what their consumption is during the month.

Tom Heintzman

Or it will be done automatically. To me one of the clarion calls happened two weeks ago when the FERC commissioner, the guy who runs the electricity system in the United States, said we may never need another nuclear plant or coal plant because the smart grid is going to revolutionize how we use electricity. When you get someone in that position of power with the bucks that the Obama administration is throwing at it things are going to change.

Tyler Hamilton

Just to explain, FERC is the Federal Energy Regulatory Commission or the regulator for the U.S.

Tom Heintzman

They effectively have national control over their electricity system rather than provincial control or even municipal control.

Kerry Adler

The error in that statement I believe is that they are banking on mankind to actually react to the price and the cost of the impact of using electricity. You go home every night, you plug the BlackBerry in, around nine o'clock you call it a night and at 10 o'clock you are in bed sleeping and you start seeing the power price of usage go down and prices go down. There has to be a smarter way to do it. Maybe BlackBerry for instance puts a triple charge on it. Instead of charging in 20 minutes or 30 minutes it actually charges over a period of time. There are lots we can do but we are really depending on people to change their behaviour in order for this conservation to be managed and take hold. That's the challenge.

Tom Heintzman

To be fair that's what the Ciscos of the world are trying to do. They are automating. You plug your BlackBerry in and it doesn't take anything until 3 a.m. This will be built so that it's intelligent and human beings don't have to interface. It will be managed by default and then you can override it if you need to.

John Thomson

You can look at Europe as the example. Italy did a smart metering program and one of the things they were able to do is put a device in the home, essentially a thermostat. In Europe the lights switch on when you go into the hallway and they go off when you go out of the hallway. You see people turning timers on their wash machines so that it washes overnight instead of during the day. Why do they change? Because it costs so darn much. When you actually have to pay for what you're using and you know it's more at 7 p.m. than it is at 3 a.m. in the morning you change. It's not going to come out of the good virtue of people. It is going to come out of the fact that the economy is going to push back and say there is a cost to that. But they need the tools. They need the tools. That is where the smart grid comes in.

Tyler Hamilton

I was listening to Nicholas Stern, the British economist, speaking at Sutton Place a couple of weeks ago and in the large auditorium where he was speaking, a lot larger than this but with the same kind of chandeliers, I think I counted about 780 chandelier light bulbs. They were all on at the same time. I find it interesting because there are a lot of Europeans who come to Canada who do this kind of speech and are just blown away by the waste. They come in and say, "Wow you guys waste a lot of energy." The lights don't go off in the rooms when no one is there. They are just left on all day so clearly there's a lot of behavioural stuff that we need to work on. Google is getting into the energy management space. I recently wrote about this. There are many executives in the energy industry who think that all this kind of fancy electronics is overkill. People aren't going to use it. People don't want to bother with their power use. Do you think that that's just a generational thing? I can't help but think about the early days of the Internet and online banking and the BlackBerry and even the cell phone. When the cell phone first came out, all the analysts at the time said that it was just a fad. It was never going to stick. Do you think that our children will grow up managing their energy? This is just the thing to do. I'm on Facebook, I'm on Twitter, and I'm also checking my energy use on Google?

Kerry Adler

I believe so. I have four of my own children and it amazes me how much they understand about the planet that I only learnt about six years ago. I think it starts in the educational system providing tours of solar facilities and wind parks and biomass facilities. I think children are our future and I think children are really going to shape our needs and in fact shape the way we use energy. It goes back to education. I think you can start with the educational system. If we can figure out how to get French into every school across Canada we can figure out how to get energy conservation and climate change into the schools and really get the children who are the future focused on saving our future generations.

John Thomson

It is interesting to me that you mentioned children. Blue boxes and grey boxes came in several years ago. What they discovered was that the way to get them to work was to get the kids to walk home from school and tell their parents where to put things. That actually got behavioural change in the house. Just through the children. What I'm hearing in the young people when I talk to my kids is about my impact on the environment. What is my footprint? Energy is a big part of that and there are other things that play into that. I can see that footprint growing or shrinking as they see how their energy plays into that. I think it is translating into something that makes a meaningful change in the world. I see a lot of that in kids of today which is great.

Tyler Hamilton

In fact some of the energy management things that we are talking about can have a social media element to it where people would be able to manage their own carbon footprint and then compare themselves to their neighbour in the community, and their city to another city. Suddenly you get a kind of competitive thing going, no different from when you are driving a hybrid vehicle and trying to beat your efficiency score as you are going. Do you see that being a reality 10 years from now?

Kerry Adler

I think social networking is self-contagious. You can create any form of contest and you will get a bunch of kids twitting each other and facebooking each other. I think it is part of it. Apple takes a full-page ad in the New York Times for a new Apple iPhone App, and you will get a million kids downloading it before the day's up. They will be watching their energy footprint. Kids really do get it. They understand that this planet is wasting away and it's their responsibility to do something about it. I think they get it more than people our age.

Tom Heintzman

I do think that people are going to become more and more cognizant. In the early days of the Prius you would definitely meet another driver who would say, "What's your lowest?" But I don't want to minimize the fact that a lot of it will be done for us. Your ice cubes will be made at night. A big chunk of our electricity usage is absolutely wasteful. There will be meaningful behavioural change but we can't rely on just that to sell this problem and we won't. All the App makers will be making things to make our lives easier—where your toaster works to how you take a vacation.

Tyler Hamilton

How important do you think the Obama administration and its policy south of the border are going to be in terms of having an impact on Canadian policy? Ontario is doing a great job in staying ahead of the game, but for the rest of Canada such as Alberta do you think that that's going to basically make them move a lot quicker?

John Thomson

We are already seeing it in the markets. I think the financial markets are a large part of what we all have to contend with. He came and talked about issues that have basically not been talked about before. But in the carbon markets the word is out that when China and the United States start getting their act in gear on the carbon issue, the rest of the world will follow. We just can't help but be part of that. If they start putting a duty on products coming in that don't meet the same carbon standards as products that are produced in the States, you are going to see change. We are going to be dragged along whether we like it or not. We do have some things happening at the federal level. We have the potential to be a leader in putting carbon markets in place in Canada. We may in fact see them take shape in Canada earlier than in the United States, but the reality is that what Obama is talking about—the types of changes and schedules that are already in Congress and schedules for implementing them—is going to push the world in this direction and Canada is going to be part of that. I'd love to see us as a leader in that. I think we still have that opportunity. We have done a lot of work at the federal level to make some of this take shape. We need to see it accelerated .

Tom Heintzman

I think the Obama administration will have a huge influence on Canada both in terms of carrots and in terms of sticks. The one thing that most impresses me being in the industry is the amount the Obama administration is thinking about the system. If you look at the $150-billion electoral promise about investment in renewable electricity it's not just generation, it's transmission, it's distribution, it's smart buildings, it's the whole chain, the whole management. When we address things in Canada and Ontario, it is piecemeal without understanding the whole system. I think they are going to drive it, there's going to be huge economic opportunity. I hope that Canadians will be able to participate back and obviously on the stick side—low carbon fuel standards, trade sanctions, cap and trade systems—we are going to have to play ball as well.

Kerry Adler

I know this is televised. We have got to be careful what we say. I think Obama has clearly set a standard in the countries around the world including Canada and Canada quite frankly should do nothing but envy. Imagine using a green energy tool to pull the large consumer in the world out of the recession. It is hard to ignore. Can the federal government in Canada do more? Absolutely. But I think everybody sitting in this room and watching this show should have the opportunity to ask the federal government. I don't think we ask enough of them. I think we relegate it to the provinces since most of the power utilities are Crown-owned and the premiers of the respective provinces have taken the initiative to figure out on their own how they are going to impact the green economy with new jobs and new investments. I think that our federal government can be doing more, should be doing more. It is really up to us to ask them. I don't think we have done a good enough job as Canadians to really force them to recognize that this is a critical time. It is a tipping point and we do need to step forward. We do need to do more and not just on a provincial level but also on a federal level.

Tyler Hamilton

You know that fossil fuels are finite. The debate is over as to when we will hit peak or whatever. Some people think we have already hit it for conventional oil production. Other people say it is 20 years from now. Other people say, "Don't worry about it; we have got technology. We will always have oil." What is clear is that as we try to find more and more of this stuff it is getting more expensive. So in a way that's kind of leveling the playing field with renewables. Why do you think traditional energy companies have different approaches? Some just want to keep ploughing more money into what they do even if it's more expensive and they are relying on higher oil prices. Others are wondering whether they should invest in this area and hedge their bets a little bit more. Is it really that they don't know any other way of making money so they just keep trying to get more and more oil and natural gas or whatever or do you think that there is some other reason behind it? What's the rationale?

John Thomson

A lot of people stick to what they know. If you know it and you are doing well at it you keep doing it. Putting money into new alternative energies, as all the guys here sitting at the table will know, is a risky financial game at this point. Some changes will have to support that. At the same time what I've seen in some of the traditional petroleum companies is that they have been looking at it hard and heavy for a while. They have tried to figure out if there is a space they can get involved in and how it fits with them. Does it compete with their existing businesses? But a lot of them I think are being forced to look at it more aggressively. Fossil fuels running out is one factor. The other is that they are the companies that are going to be hit amongst the hardest when these carbon regimes come in. They are going to be paying a big price added on to their product and they have got to have ways to mitigate that. We've met with one company and they were looking at the biogas state, not because biogas was a complementary product but because it allowed them to mitigate what they are doing on the other side of the business. So I can see them getting more engaged, but there is going to be a variety of reasons why they do that. Stick to what you know seems to be the business model. I know how to do it. I know how to get it out. I know how to sell it so I keep doing it.

Tyler Hamilton

Look at a lot of the pipelines. For example, Yield Energy can make this biogas and inject it into that existing infrastructure and offset some of the fossil fuels. That is kind of complementary.

John Thomson

What is interesting to me is that the people who are taking a more proactive role and looking at biogas as an alternative to fossil fuels and natural gas are actually distributors, because they actually pay the price of getting that gas from point A to point B. By being able to produce the gas locally, it's green, not fossil fuel, and they can plug it into the pipeline here rather than having to drag it from Alberta. Enbridge, for example, has taken a leadership role in defining the standards on how to implement it and are actually going to invest in the infrastructure to make it happen. It's very exciting. So the end distributors, the end users, are being more aggressive in getting that in place.

Tyler Hamilton

I don't have any more questions. We are getting close to the end of our time. Are there any parting words John you wanted to make on this issue?

John Thomson

I guess, just to sum up from my perspective, we have talked about a lot of different things. The development of carbon markets and the regimes that support them are going to be a fundamental change in the way alternative energy is viewed. I think by getting that kind of structure in place for people and recognizing the cost of what fossil fuels actually do to our environment and adding that to the cost of energy is going to make parity for what we currently call alternative energy and helping them become the standard. I think the mood by the Obama government, the mood of the McGuinty government, are steps in the direction of actually seeing these become a fundamental part of the economy. We have a huge opportunity to be leaders in this space. We are one of the leading manufacturers in the world. A lot of technology needs to be made and can be shipped anywhere in the world. We are among the smartest, brightest people. As long as the governments keep heading in the direction they are going, we have got a huge opportunity to see that tipping point come into reality. And finally, I'm encouraged by the fact that I do see the kids seeing a change. I come from a family that is heavy in the educational environment. I have got three kids of my own in grade and high school and what I see in them is a difference in attitude to how this works. When I grew up I didn't think about turning on a light or turning it off. I didn't think about what it costs to put gas in the car. These kids do. My kids know the price of gas on any given day. They know what it costs to turn the light on and turn it off. They are thinking differently.

They are seeing their impact on the environment and that gives me huge hope for the future that this type of stuff is going to really come into play.

Tom Heintzman

Mine is quite simple. I strongly believe that the smart grid is going to be a huge economic driver and in all businesses. Everybody here should think about their role because it is certainly not just your Telecom players. Telecom will be a big part of it. Software is going to be a big part of it, but there are going to be people, lawyers, people financing and people insuring it. Every industry will have a role in developing it much like the Web was developed and so I would just encourage everybody in the room to look at how they'll be able to take advantage of that change if it happens in the next 20 years.

Kerry Adler

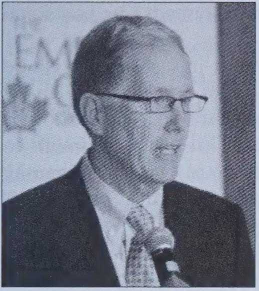
I would just like to close by saying that first of all I would like to thank everybody for coming here. I think that we really need to just look at ourselves and really take in the fact that we are responsible for the situation. Generations to come are really looking to us and I spend a great deal of time talking to governments about these issues. They need to hear from you. They need to hear from people like you in this room who care. You didn't come here for the lunch. You came here to perhaps have some wisdom applied on you. This is really about each and every one of you in the room and people who couldn't make it here and may be watching it on TV and recognizing that we are going to make the difference. Whether we are at a peak or not at a peak or whether there is more gas in the ground or not really doesn't make a difference. You have children and grandchildren—future generations that are counting on us. We have to all do our part.

Tyler Hamilton

I would like to thank all the panelists. Thank you very much for coming and taking time out of your busy days.

The appreciation of the meeting was expressed by Helen Burstyn, President, The Canadian Club of Toronto, and Chair, Canadian Trillium Foundation.

Tom Heintzman, President, Bullfrog Power Inc., John C. Thomson, CEO, Yield Energy, Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye, Kerry Adler, CEO, SkyPower Corp., and Tyler Hamilton, Senior Energy Reporter and Columnist, The Toronto Star



May 28, 2009

Jim Leech

President and CEO, Ontario Teachers' Pension Plan

CANADA'S PENSION CHALLENGE

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Robin Sears, Senior Partner, Navigator Limited, and Director, The Empire Club of Canada; Remi Frater, Grade 12 Student, R. H. King Academy; Grant Kerr, Associate Pastor, St. Paul's United Church, Brampton; Jill Denham, Board Member, Ontario Teachers' Pension Plan; Joe Lamoureux, President, Ontario Teachers' Federation; Margaret M. Samuel, President, CEO and Portfolio Manager, Enriched Investing Incorporated, and Director, The Empire Club of Canada; The Hon. Kathleen Wynne, MPP, Minister of Education, Government of Ontario; and Peter Giacomelli, Managing Director, Investment Banking, TD Securities Inc.

Introduction by Jo-Ann McArthur

Freedom 55 is a memory and for many "65" is the new "55."

As Canadians we don't save enough in our RRSPs. That's not new, but that was before they were slashed by the stock market declines. Private pension plans are a mess and fewer and fewer of us have them. We also are financially illiterate—present company excepted—when it comes to understanding what we actually need for retirement. The Learning Partnership honoured Jim Leech this month as a Champion of Public Education, so I'm sure he has some thoughts about that.

You may have read Jim Leech's comment in last week's Globe and Mail editorial that we'd all love to be rich, but what we really don't want to be is poor. But a C.D. Howe Institute report showed that only one-third of Canadian households are saving enough to meet their projected basic household expenses by 2030, meaning that two-thirds of households are not saving enough to cover their non-discretionary costs in the future.

Jim is Canada's highest profile pension executive. The Ontario Teachers' Pension Plan is the largest single-profession pension plan in Canada, with $87 billion in assets as of the end of 2008.

He graduated from the Royal Military College of Canada with a BSc and holds an MBA from Queen's University.

He has also said, "You don't want to lose the opportunity that a good crisis brings you." I am pleased to now turn the podium over to Jim to give him that opportunity.

Jim Leech

Thank you Jo-Ann. Good afternoon Ms. Wynne, head table guests and members.

Pensions. If anyone had told me when I joined Teachers in 2001 that pensions would be front-page news every day in the national media around the world, I would have said they were dreaming. But here we are eight years later and that's exactly what's happened. Today in fact it is unusual not to see a pension story in your morning paper and for good reason. Pensions affect everybody—employees, taxpayers, employers, corporations, governments, and non-working Canadians. It is tough to find anybody or any organization untouched by the pension question.

As such, a very public debate has emerged. It is a debate addressing retirement security, pension affordability, realistic contribution and benefit levels, social responsibility, and retirement age; in other words, our future.

Now, God willing, it's going to be some time before we endure another federal election in Canada, but when we do I believe that pensions for Canadians may be the issue that defines the campaign. I further believe that Canada's pension champion will emerge from that debate. As Tommy Douglas and national medicare defined public debate in the sixties, the natural gas pipeline and C.D. Howe in the fifties, and Brian Mulroney and free trade in the eighties, pension reform could be the defining issue of the first decade of this century. What remains to be seen is who Canada's pension champion will be and whether or not he or she will be successful in leading Canadians to badly needed reform. Now based on discussions I've had with officials in Ottawa, there's little disagreement about the election-debate potential of this issue.

I'm here today to talk to you about that debate and I'll do it in the context of three main issues. First, I'll look at today's pension reality. Second, I'll address the silver lining of the economic crisis, which has raised the volume of this pension debate and of corporate governance issues that Teachers has been talking about for years. And third, I'll discuss the increasing important role of pensions in the economy and Canada's leadership in that framework.

So first the pension reality. Let me start with a look at our own membership at Teachers because we are at the leading edge of the demographic wave and we reflect the reality of a greying Canada. Teachers is what is considered a mature pension fund. That is to say, we have a declining number of active members who are contributing to the fund compared to the number of members who are actually collecting pensions. We currently have 1.6 to 1 ratio of active to retirees and we are moving to a steady state of one to one over the next decade or so. To put that into perspective, that ratio was 10 to one in 1970. We have 356,000 members. That includes 110,000 on pensions, 173,000 working teachers, and 72,000 inactive members. We administer one of Canada's largest payrolls at $4.2 billion annually and we receive $2.2 billion in contributions annually. So the first $2 billion we earn every year is automatically earmarked for paying the difference between what is contributed and what is distributed.

Now the average age for a new retiree today in the Teachers plan is 58. Each will have worked for 27 years of retirement and they are expected to receive their pensions for 30 years and a survivor pension will be paid for an additional five years. The average full starting pension last year was around $42,000 per annum.

Now pension plans, public and private, were devised when retirement longevity was an oxymoron. Pensions were meant to bridge the gap between work secession and death. It was a short distance, given life expectancies at the time. When Canada chose a retirement age of 70 in the 1920s, life expectancy at that time was 61 years. So think about that. Nine years after you died on average, they let you stop working. In 1951, a means-tested pension was made available at age 65 when average life expectancy was 681/2. Now the Canada Pension Plan was introduced in 1966. Life expectancy then was 72. That was then. Longevity rates today are very different. In fact we have 2,300 pensioners in our membership who are over the age of 90 and that includes 80 who are over 100 years of age. We jokingly call ourselves a century club. But in all seriousness, it highlights the issues of the benefits sustainability and intergenerational equity, making sure the pension funds are there for today's young people when they retire.

Now a little bit of education. Pension plans come in two basic flavours. You have defined benefit or DB and defined contribution or DC. The teachers' plan is a defined benefit plan, which means that pensions are based on a formula of service and age. The pension benefit is predetermined and is not contingent on investment performance and it is an obligation of the sponsor. Benefits under a defined contribution plan on the other hand depend entirely on the market value of the fund in your account the day you retire. So they work exactly the same as an RRSP. The day you retire you open the box to see how much money you have to live on for the rest of your life. And if markets have been bad, your retirement lifestyle will be less than if markets have been booming. We all can name friends who have had to postpone their retirement because their savings were ravaged this past year. In other words, they didn't have enough gold for their golden years.

Now the teachers' plan is jointly sponsored by the Ontario Teachers' Federation and the Ontario government. The teachers themselves make half of the contributions and the government or taxpayers make the other half. Together the OTF and the government determine contribution rates and benefit levels. They make the decision when shortfalls and surpluses occur. In the case of shortfalls, they must either reduce benefits or raise contribution rates together or both. Surpluses of course are happier decisions, because they get a chance to increase benefits or lower contributions.

Our sponsors' recent adoption of conditional inflation protection was a step in the right direction. It creates somewhat of a defined benefit/defined contribution hybrid. Inflation protection is guaranteed to 50 per cent and acts as a defined concept, but inflation protection above 50 per cent is conditional on the financial condition of the fund, which sounds more like a DC concept.

Now because we were a bit ahead of the pension maturity curve the partners have had to make some tough decisions such as this sooner than other plans. But those other plans will be making the same types of decisions.

Our sponsors were right. These were the right decisions and I'm confident that our sponsors will continue to make the right decisions on their members' behalf. As such, I'm really not as concerned about our plan or the members in our plan as I am for the 80 per cent of Canadians in the work force who have no employment-based pension plans whatsoever, and RRSPs have not proved to be the solution. Average RRSP balances are woefully short of the levels they need to be in order to fund a retirement. And that's troubling. Let's face it. As I said before, we all love to be rich but we really don't want to be poor especially in old age when we are supposed to be enjoying ourselves. Also troubling is the private sector's increasing move towards defined contribution plans and away from defined benefit plans, saying that they are unaffordable.

Now it isn't that the DB model is unaffordable per se. It is that the DB model has been made unaffordable for sponsors by shortsighted tax rules and court decisions that effectively prevent sponsors from saving enough in good times to offset losses in bad times and weak-kneed management who out of expediency promised unrealistic levels of future benefits in order to dampen salary demands. Their strategy was to show good results today by pushing costs off to the next generation of managers. But the future has now caught up with them and pensioners are lined up, justifiably so, for the promised benefits. The truth is the DB plans are actually far better vehicles for pension saving from both a security and a cost basis for both the employees and sponsors. In fact a report by the U.S. National Institute on Retirement Security finds that savings in a defined benefit pension plan can deliver the same level of retirement income at almost half the cost of a defined contribution scheme. It says that the overall cost to employers and their workers was 45-percent lower for DB plans than it was for a DC plan.

There are four main reasons for this. First of all individuals in a DC plan must plan to live for a very long time. They have to save to provide income out to the maximum on the actuarial table, because you don't want to run out of money four years before you die. Because individuals cannot pull a longevity risk, they are forced to accumulate more in their DC plan than they would for an equivalent DB plan, which can actually be based on actuarial averages. So DB plans avoid this over-saving by pooling longevity risk for large numbers of individuals.

Secondly, DB plans are ageless. They can perpetually maintain an optimally balanced investment portfolio. Individuals on the other hand must downshift dramatically in order to reduce the risk-return allocations as they get older. The transaction costs in this rebalancing are prohibitive.

Third. By pooling your savings in a DB plan the participants can afford to engage professional investment advisors, something that the average worker in a DC plan cannot afford. When I compare the returns I realize on my own self-managed RRSP I certainly know, compared with those at Teachers, I could use with some expert advice.

And fourth, the cost. The DC plan and RRSPs are usually invested in retail products that carry large administration fees, sometimes as high as 2 or 3 per cent per annum. If you contrast that with the cost at Teachers at only 15 basis points, the extra 1.85 per cent over a working lifetime is enormous.

As we said in our submission to Ontario's Arthurs Commission on Pension Reform the social cost that the private sector's shift to defined contribution plans will impose on the future have not been widely acknowledged. Members of such plans will retire with inadequate income. Their combined individual defined contribution shortfalls will dwarf the valuation shortfalls of the defined benefit plans today and will impose obligations on future governments possibly for further retirement income assistance. We also told Arthurs that defined benefits have only become more expensive because our legislators have made them so with arcane rules and regulations and very inflexible structures.

Take for example the federal income tax excess surplus rule. This rule precludes further contributions to a pension plan once the plan surplus hits 10 per cent. In our view the rule is counter-intuitive. It limits the opportunity to enhance pension plan funding when the investment climate is conducive to growth. And we at Teachers experience this obstacle not only as a plan administrator ourselves but also as an investor in companies that face the same constraint.

So we as a society are in a bit of a pickle. We have defined benefit plans that are being terminated left, right and centre and are being replaced by defined contribution plans that are totally inadequate. But a wholesale shift from pure DC to pure DB is not necessarily the panacea. It's time for a new model, which we refer to as a hybrid model.

The current market chaos should be the wakeup call to everybody—companies, the government, and citizens—that our current pension plan needs to be overhauled and as a society we can't afford to ignore the need for progressive reform anymore. We could take some lessons. The British, the Dutch and the Aussies for example. The British acted on a Turner Commission Report in 2001 with some major undertakings. Similarly the Dutch also undertook a national overhaul. Their new model is an amalgamation of pension plans merging smaller and larger funds, which allows the smaller fund to share their investment risk and reap the benefits of diverse vocations. The Dutch also bought ongoing sustainability by setting guaranteed pensions to a career-average compensation level rather than the top five. Employees then can purchase additional credits through a DC overlay should they wish. In other words it's a hybrid DC/DB plan. We consider those pretty brave moves.

In our view at Teachers, there will never be a better time than right now for Canada to undertake similarly visionary pension reform. The economic storm clouds that started in 2007 and turned into a recession in 2008 and continue today have made discussions like this possible. Governments, corporations, labour, everyone has seen the damage wrought on many pensions and other investment accounts. Now I must say that we were pleased to see that the federal and provincial finance ministers seemed to come out of their meeting earlier this week with an appreciation for this concept—the concept of an overlay. And Premier McGuinty is right to insist that the feds take the lead here, but he is also right to say that Ontarians cannot wait forever. So we look forward to seeing more from this initiative very soon we hope.

Now like any great decline it is not the fall itself, but the abrupt stop that causes damage. However there is a silver lining to these economic storm clouds and I mention two things.

First they've moved the pension issue to the front pages of the newspapers. They have given rise to a debate that's gaining volume and that people are listening to. And it has taken this economic crisis for people to accept that their concern is real and that's okay because at least today there's an audience listening.

Second and separately, the recession has brought renewed attention to an issue we and other global and institutional investors, pension plans and others have long advocated against. That is supersized executive compensation packages such as those CEOs receiving 300 times as much as the average U.S. worker without regard for performance or risk. Although I don't yet have Canadian statistics, according to the New York Times, the biggest U.S. pay package hits were in the financial-services sector and they were down about 40 per cent. Well today's trends towards lower compensation continue. As Stephen Davis, of Yale's corporate governance, said, "It remains to be seen whether these are annuals or perennials."

So if this pay decline does continue, there remains hope that our schools' best and brightest won't automatically head straight to Wall Street or Bay Street. They might consider other more worthwhile careers. God knows the world doesn't need another credit default swap.

Now the pension dilemma is ubiquitous. It's attracting growing attention. Fortunately it is also attracting the attention of smart people who are keen to find workable solutions. With that attention comes opportunity. As home to three of the country's and indeed the world's largest and most innovative pension plans and to Rotman's International Centre for Pension Management (ICPM), Toronto is developing into a world centre for pension excellence where thought, ideas, and theories can be raised, incubated and implemented. With our large pension plans we are major ICPM supporters and will be an active participant along with other leading plans at their symposium here in the next 10 days.

Robert Fulford once said, "My generation of Canadians grew up believing that if we were good and very smart or both, we would someday graduate from Canada." I like to think that the opposite is now true. Some of our best mathematicians, administrators, and investment professionals are working in Canada's pension industry today. I believe that the critical mass will continue to grow and attract experts from around the world to come here to work in Toronto.

Canada's pension plans are well regarded internationally for their innovation, the same reason they became such an important force in the investment industry. That's why, as gut-wrenching as this period is, I have to say that I feel fortunate to be where I am, because pension plans now represent a new breed of financial institutions. We have the power to combine a large capital pool for the long-term investment horizon, something that is extremely novel in today's market. Think of it this way. As of the year 2007, the estimated total value of pension plans in the world's 11 major economies was $25 trillion. Probably a little bit of a haircut today, but to put that in context U.S. GDP at that time was about half of that. In

September, the head of Belgium's Association of Pension Funds went so far as to say that pension funds worldwide create a lot of stability in the markets because we don't move in times such as now. We look long term. We create stability because of the amount of assets in pension plans that support the markets. Stability of course is a relative thing, but pension plans have been called the financial industry's investment cushion.

We are now looking at the confluent of two major forces—boomers who are retiring and who are used to getting their own way with the worst economic crisis in the lifetime of the majority of Canadians. As such, pension plans offer not just a measure of market stability but a respected voice for pension reform, which could in turn lead to national retirement stability.

This situation has been brewing for years. Peter Drucker warned about it in the sixties. He said then that the current generation was postponing chaos to the future generations and in the book, "While America Aged" by Roger Lowenstein, he recounts the horror stories of politicians passing the buck or lack thereof to future generations. And we in Canada have done the same.

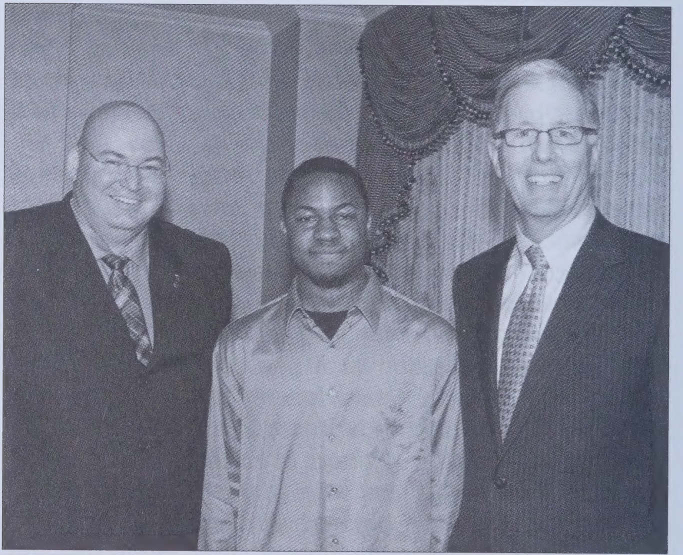
I agree with Lowenstein when he writes, "Changing this pattern will require political courage and also realignment across society." He is right when he calls on business, government, and labour to stop behaving like credit-card junkies who can charge the bill to our kids and even their kids. They should work together instead to craft the best possible pension solution for all parties of all ages.

Today the pension debate has really been at the margin. The length of time sponsors have to make up shortfalls, the posting of letters of credit to back deficits, changing some investment rules and even amalgamating several funds to reduce cost are all really good ideas and they will help the people who are currently in pension plans, but they will do nothing for the millions of Canadians who have no pensions whatsoever.

And so I return to my original point. The pension challenge may be the defining issue of Canada's next federal election. Whether or not it is depends on whether or not the courage exists for our pension champion whoever he or she may be to rise and tackle the issue responsibly. The time for pension myopia is long past. We need our leaders to make decisions beyond the next political term, the next employment contracts or the next labour negotiations, because at some point we all expect to retire. How comfortably we can do so depends on decisions that are made or not made today.

Thank you very much.

The appreciation of the meeting was expressed by Margaret M. Samuel, President, CEO and Portfolio Manager, Enriched Investing Incorporated, and Director, The Empire Club of Canada.



Joe Lamoureux, President, Ontario Teachers' Federation, Remi Frater, Grade 12 Student, R. H. King Academy, and Jim Leech, President and CEO, Ontario Teachers' Pension Plan.

June 4, 2009

Aubrey Dan

President, Dancap Productions Inc.

LIGHTS... ORCHESTRA... CURTAINS: BRING ON THE BEST OF WORLD-CLASS LIVE THEATRE!

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Elias Toby, CEO and Chief Financial Officer, Dancap Group; Verity Craig, Managing Director, CV Management, and Director, The Empire Club of Canada; Reverend Robert J. Payton, Honorary Assistant, Christ Church, Brampton; David Besharat, Grade 12 Student, Earl Haig Collegiate Institute; Peter Lamb, Producer and Executive Vice-President, Dancap Productions Inc.; and Gareth S. Seltzer, President, TWS Private Management, and Past President, The Empire Club of Canada.

Introduction by Jo-Ann McArthur

Aubrey Dan grew up with pharmaceuticals in his blood, with Novopharm being the family business. He has discovered a new drug and that's theatre. And if you need a mood enhancer, I recommend "Jersey Boys." I defy anyone to leave that performance not feeling uplifted!

He invests funds throughout Canada and the world with Dancap Private Equity and Dancap Global Asset Management. Luckily for us he also saw a need to invest in theatre in Toronto. What started as a hobby has quickly become a passion. Filling a void in the market with the fall of Livent he has been able to tap and leverage the deep talent pool in Toronto.

His background in pharmaceuticals has also given him a unique window into product development. In his words, "Show business is like the pharmaceutical business. You have a pipeline of inventory, blockbusters, oldies but goldies and new molecules that create excitement."

He also has a keen sense of marketing and branding. Many of you who attended a Leafs game heard "Big Girls Don't Cry" play when an opposing team's player goes to the penalty box while an ad promoting "Jersey Boys" plays on the video-board. That's taking your message to a nontraditional community and creatively connecting.

His philosophy is that the more money he makes, the more money he is able to give away and he certainly walks that talk. He and his wife Marla have donated millions of dollars to health and education charities. And I should note that their first date was at a CanStage theatre production. A fortunate courtship for all of us!

I am pleased to now turn the podium over to Aubrey, but first I'd like to ask him to make the draw for two tickets to "Jersey Boys," courtesy of our friends at DanCap Productions.

Aubrey Dan

Ladies and gentlemen, distinguished guests, my name is Aubrey Dan and it gives me great pleasure to be here with you today. I am honoured to have the opportunity to address this great Canadian institution with such an illustrious history dating back to 1903.

The title for my talk should give you a fairly clear idea of what I hope to discuss—Lights… Orchestra… Curtains: Bring on the best of world-class live theatre!

The most frequent question that I am asked by the media, friends—and the media are not always my friends, I assure you—and just regular people whom I meet is: "Why did you get into the theatre business?"

To be honest, I never planned to be in the theatre business. I did not grow up in the theatre business. Nor can I act. And I certainly cannot sing: ask my wife Marla! The last time I sang was at my wedding almost 20 years ago. It was "My Girl" and after my performance, she whispered to me, "Aubrey I love you, but please don't sing anymore, especially in public!" Is that the sort of thing any bride should tell her groom on their wedding day?

True, I signed up for a drama class in grade seven, but I was never in any school plays, nor did I even attend them, which is shameless in retrospect.

My exposure to theatre was first established when I visited my New York cousins, and they took me to see a Broadway show, maybe once a year. One of the first musicals I saw was "Hair" during the mid-'70s, which had nudity in it, which certainly made it all worthwhile for a young boy. Back then the box office wouldn't even sell me a ticket to see the production of "A Chorus Line" as I was 13 years old. It was only in my mid-twenties that I started to attend musicals and plays on a regular basis, back in the 1980s and early '90s. Even then, I was merely a regular theatre-goer, and that is all I was! There were no hints of any future producing glory at all.

It was in 2002, less than a decade ago, that I was approached by a business associate of mine who was a board member of Canstage. I was asked if I would like to "identify sponsors" for one of their plays. I was later requested by Marty Bragg, the managing director of that non-profit theatre company, to be a sponsor for their new play development program for $25,000, which I agreed to do. Later in our discussion, I asked him one question that would soon change my life. "Why isn't there more Broadway theatre available in Toronto?" It was that single query which led me to the conclusion that there was a vacuum created with the demise of Livent, and there was a theatre monopoly in our city, which could be challenged and turned into a business opportunity. Shortly there-after, I co-produced with Canstage three productions: "Urinetown," "Ain't Misbehaving," and "Hair." During my first show, I got the theatre bug. I was very happy to produce theatre as a hobby, but there soon came a moment when the entrepreneur in me became aware of a troubling fact: the "not-for-profit" and the "profit" business models of theatre production would never make a very good marriage. They might break even, at best, but would never make any serious amount of money.

Having already created two very successful "investment companies"—Dancap Private Equity and Dancap Global Asset Management, which invest money into promising young businesses—I decided to found "Dancap Productions," to take on Mirvish Productions and bring in a half-dozen quality shows to Toronto in my first year alone. I was determined to change the cultural landscape of our beloved city, and, as soon as I possibly could, the cultural landscape of this great country of mine as well.

No, I did not wish to do this as "the son of Garth" or "the second coming of Livent." I am doing this as someone who loves live theatre, loves the city in which I was born, raised, and lived most of my non-academic life, and feels that there is an extraordinary magic in "live theatre" which can never be found in a popcorn-strewn, sticky-floored movie theatre, and certainly not on the one-inch screens of mobile phones or BlackBerrys.

How many of you occasionally stop and scratch your head over the rather astonishing fact that we human beings have never been more connected in human history, thanks to modern technology—with our cell phones, our computers, our hand-held electronic devices—yet somehow, strangely, appear to be lonelier than ever? We all hunger for human, social contact, which I believe live theatre delivers, far, far more than television and movies ever can.

Who of us has not watched countless teenagers—and, yes, adults like all of us here this afternoon—bent over their little hand-held electronic gadgets, typing away with their thumbs, and often doing this while ignoring the spouse/partner, child or dear friend who is walking by their side?

Dear audience, there is a very special connection which takes place between living performers in a quality play or musical and the live audience sitting and facing that stage, rapt with attention, identification, and even passionate excitement. It's the energy that is exchanged back and forth between the cast on stage and the audience that makes theatre so alive and so real.

Just a few weeks ago, an usher at the Toronto Centre for the Arts, where my production of "Jersey Boys" is being seen by close to 10,000 living and breathing and laughing and involved people every week, told me that an elderly man burst into tears during a serious moment in Act ii. Who knows what highly personal, private connection caused such a deep response, but such responses rarely happen from encounters with other art forms.

Live theatre can be profoundly affecting, and at times, even life-affirming, and I am very proud to be involved in offering it to the general public with my still-young firm, Dancap Productions.

A decade ago, Toronto was ranked among the three most thrilling and vibrant live-theatre cities on earth, not that far behind New York and London, England. What choices its citizens had! What offerings were made daily for its continual busloads of visitors from Buffalo, Ottawa and Montreal! And let us not forget the planeloads of tourists from much farther away! Millions and millions of dollars were being injected into not only theatre tickets, but our city's restaurants and hotels, and many other attractions. The multiplier effect of theatre-ticket revenues I am told is at least four times. To put this another way, a couple of visitors to Toronto will spend close to a thousand dollars in our city, not including the cost of their theatre tickets.

We all know what happened in the late 1990s. Garth Drabinsky's often brilliant theatrical productions, both home-grown and imported travelling road shows, collapsed into a pile of dust, scandal and sadness. Hundreds lost their jobs, thousands lost their investments in his Livent stock, and millions of Canadians and visiting tourists lost their range of choice for what to do and see in our wonderful metropolis.

Then, as if Toronto weren't dead enough, 2003 saw the coming of SARS, and our great, world-class city became a very wounded "one-horse town" in terms of live theatre. I'm sure that many of you recall Henry Ford's very witty throw-away comment of the late 1920s: "You can get my car in any colour, as long as it's black." Well, since 1999, you could go to see any major theatrical show you wanted to in Toronto by one company that had no competition.

And so, you see before you "a new boy in town." I launched Dancap Productions less than three years ago, and began to bring into Toronto some of the best the Broadway stage had to offer.

There is a beautiful quotation which most people think was coined by Robert Kennedy, since he used it often, but the senator had actually "lifted it" from a Bernard Shaw play of over a century ago: "Most people look at the world as it is, and ask 'Why?' I look at the world as it can be, and ask 'Why not?'"

I like that quotation as well. Several years ago, I looked at an exquisite theatre in North York, also known as the North York Performing Arts Centre and later named "The Ford Centre." The main stage had been "dark" for most of every year, except for the occasional college graduation or local choir performance. Its 1,800 beautiful and comfortable seats had remained essentially empty since the collapse of Livent over a decade ago. I looked at its possible resurrection, and thought, "Why not?"

The city of North York, soon to become part of the G.T.A., had been losing up to $3 million a year of taxpayers' money with that stunning structure. And today, the Toronto Centre for the Arts is a vital and thrilling part of the theatrical and cultural landscape of the G.T.A., and of all of Canada.

Think back to the "glory days" of commercial theatre, back in the 1990s, when Mirvish and Drabinsky were fighting it out with "Lion King" at the Princess of Wales and "Mama Mia" down at the Royal Alex; with "Phantom of the Opera" at the Pantages, and "Ragtime" at the Ford Centre. The competition between those two theatrical empires was thrilling, and it forced each company to be better, and made the public expect and demand excellence.

I am part of the answer for those dreadful setbacks in our city's cultural scene: the collapse of Livent and the coming of what was initially called "severe acute respiratory syndrome." The loss of an exciting theatrical empire and the coming of SARS were devastating to our economy, and to our city's reputation.

My creation of Dancap Productions and my dream of producing memorable and highly entertaining and fabulously professional shows from Broadway and the West End (filled with Canadian talent both on-stage and behind the scenes) is part of that vision for a better, more exciting future for all of us.

Ladies and gentlemen, I am talking here about the vitality, the joy, and the life-enhancing magic, which occurs when an audience of many hundreds of men, women and children watch, experience, and share live theatre together.

Am I happy to have secured, for many years, the main stage in the stunning Toronto Centre for the Arts in North York, where I can have long runs of shows such as the multi-award-winning "Jersey Boys"? Of course I am.

But I was far less happy to discover that my competition, which has had a monopoly in Toronto for the last decade, sought out a deal behind my back with Key Brand, my partner, an American company. Together we had purchased the Canon and Panasonic theatres from Live Nation giving me the Canadian management rights to run the two theatres. I was forced to go to court to try and stop the sale of those two beautiful downtown theatres to them. I failed, although I am still fighting, this time for damages. But what a shame that I lost those crucial theatres where I had hoped to present and produce many fine shows for many years for our fellow citizens.

So much for others sharing my belief that competition makes us all better, as well as providing more and finer choices of entertainment for the theatre-going public of our city.

I can assure you, competition makes for better offerings and greater choices for the public and that is what I am determined to do with Dancap Productions in the years and decades ahead.

I had an interesting experience recently. My grade-seven drama teacher phoned me up, over three decades after I had last seen her, and asked me excitedly, "Aubrey, was I the one who inspired you to go into the theatre business?"

It would have been sweet to lie to her, just to make her feel good, but I just couldn't do that.

I admitted to my former grade seven drama teacher that Dancap Productions was seen by me as a business with the serious goal of filling a need: there are theatre-starved people in this city.

As I noted earlier, I run several other "less theatrical" businesses, which invest in promising companies, such as Porter Air, and many more around the world. But what can bring me and a growing number of my fellow citizens greater joy than influencing the very lifestyle of hundreds of thousands of Canadians?

People used to say, "The customer is always right," but we all know that this is rarely the case, and merely lip-service. People are taken for granted by most companies and I am working to change that with Dancap Productions.

I insisted from day one that we have "customers," not "subscribers," who later become members that turn into raving fans. Rather than lock people into rigid blocks of shows, I give them options, and for coming to our shows I reward them with Dancap points. (We Canadians love our points. Ask Aeroplan or Shopper's optimum people!) I always say "thank you" to our members for doing business with Dancap, We are always differentiating ourselves, as we don't want to be the same as others.

We began as a presenting company, and then we started to co-produce, and then moved on to licensing shows by backing major theatrical productions on Broadway and the West End so that we can lock-in Canadian rights, and much more.

Most of all, dear Empire Club members, I love "show business" because it is a human business. It is called "live theatre" for a reason: every night, it's a different work of art up there on stage. Movies can be wonderful, but once they are shot and edited and put into the can, they are frozen, and remain the same. Not so, with live theatre.

We are all hybrids—even if not enough of us drive hybrids! My late mother was a gifted artist; my father is an inspired entrepreneur. I am a marriage of both of those backgrounds, and I am so proud to be involved in creating an actual lifestyle: spreading the crucial connectiveness which is joining with a vibrant and ever-growing, worldwide entertainment economy. We are all hungering for human and social contact, and I, Aubrey Dan, President of Dancap Productions, am here to feed all of you. You can interpret that word literally as well: I recently created "Dancap catering" offering 3-course prix fixe meals right inside the Toronto Centre for the Arts, so one can experience the true meaning of dinner-and-a-show!

I am honoured to do my part in bringing more theatre—quality, highly professional theatre—to Toronto and all of Canada.

The impact on our economy, our lives, and our very spiritual growth can be huge—and very, very positive.

Thank you for coming today, and for letting me share my thoughts and dreams. See you at the theatre!

The appreciation of the meeting was expressed by Gareth S. Seltzer, President, TWS Private Management, and Past President, The Empire Club of Canada.

Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye, and Aubrey Dan, President, Dancap Productions Inc.

June 11, 2009

Dr. Leo de Bever

CEO, Alberta Investment Management Corporation

AIMCo—EDMONTON'S NEW INVESTMENT OPPORTUNITY

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Heather Ferguson, President, The Hearing Foundation of Canada, and Director, The Empire Club of Canada; Rev. Canon Philip Hobson, Incumbent, St. Martin-in-the-Fields Anglican Church; Randy Ferguson, Chairman, Edmonton Economic Development Corporation; David Santangeli, Managing Director, Morrison Park Advisors; A. Charles Baillie, Chairman, Alberta Investment Management Corporation; Alex Squires, Managing Partner, Brant Securities Limited, and Secretary, The Empire Club of Canada; Phyllis Clark, Director, Edmonton Development Corporation; and Ron Gilbertson, President and CEO, Edmonton Economic Development Corporation.

Introduction by Jo-Ann McArthur

AIMCo was established in Edmonton as a Crown corporation on January 1, 2008 and is responsible for approximately $68 billion in Alberta pension funds, endowments and savings, including the Heritage Savings Trust "Rainy Day" Fund.

It was structured to remain at arm's length from government with its own board of directors and designed to operate like the Canada Pension Plan or the Ontario Teachers' Pension Plan and to increase returns on the province's holdings—all areas that today's speaker knows well.

The Dutch-born economist holds a PhD in Economics from the University of Wisconsin. Dr. de Bever was appointed CEO of AIMCo in April 2008 and was recruited from one of Australia's largest public-sector pension funds. He has served as chief investment officer since 2006.

Upon leaving Canada for Australia our financial papers said that Oz's gain was Canadian pensioners' loss. Luckily for us he became frustrated with government red tape and interference and returned to Canada.

Prior to that, he held senior posts with Manulife Financial and Ontario Teachers' Pension Plan in Toronto, playing a major role in redefining risk management, and over the course of his career has proved to be a very accurate canary in the coalmine.

AIMCo had been operating under the radar since its formation, buying up stakes in infrastructure like waterworks in England and a power company in Washington.

That low profile changed with its investment in the oil patch with the recent purchase of a major stake in Precision Drilling Trust, Canada's largest drilling company. Intense political and public debate followed on investment policies.

To quote Leo de Bever, "This is the one lesson that's come out of this whole episode—I think most of Alberta didn't get the memo on AIMCo."

Ladies and gentlemen, to deliver that memo in person, please welcome Dr. Leo de Bever.

Leo de Bever

Thanks Jo-Ann. I think you just gave my speech.

Ladies and gentlemen, Canada has more than its share of innovative funds that invest long-term savings with the single-minded focus on the best long-term return on risk for the ultimate recipients and I'm proud to have been a part of one of those institutions, Ontario Teachers, for almost 10 years.

Now today I'm very pleased that so many of you have come out to hear more on how we intend to give substance to the provincial government's dream to create another strong pension endowment manager and this time in Alberta. But before I get to AIMCo itself and how it intends to deploy Alberta's savings in global opportunities, I want to talk a bit about the larger Alberta growth story, about the maturation of its educational and medical institutions and the opportunities for technology that you could contribute from the rest of Canada to help solve some of Alberta's energy issues, and the outlook for returns on both in and out of energy.

Now very selfishly I want to show what AIMCo and other Edmonton financial institutions represented here today have to offer to people with the right skills.

Alberta has been a growth story since its inception in 1905. At the time it only represented 4 per cent of Canada's population. Over the next 40 or 50 years it was a magnet for immigrants, mostly drawn in by opportunities in agriculture and ranching. But over the last 40 years the story has shifted into immigration causing the population growth rates to be roughly double what it is in Canada and of course that's been driven by energy. Today, Alberta makes up 11 per cent of the population but 17 per cent of GDP. The province has the youngest population in the country and even in the current environment 71 per cent of the population have jobs versus 61 per cent in the rest of the country. The Edmonton-Calgary corridor is now home to two and a half million people and it's one of the densest urban areas in Canada. And, perhaps not surprisingly, growing at twice the national rate has meant that public spending on social infrastructure has been running at twice the Canadian pace per capita, which is one reason Alberta hasn't been hit quite as badly by this recession as the rest of the country.

Now a fast-growing population base and growing energy sector need greater financial-sector support. We are not the only people looking for additional staff. There are some institutions represented here that are based in the Edmonton area. As you know Calgary is home to the regional headquarters of the big banks and it services the traditional oil and gas sector. Edmonton has Alberta Treasury Branches, the Canadian Western Bank, some of the major cooperatives and certain credit unions and they draw on the same kind of pool that I'm drawing on so it is in my self interest to make sure that that pool is as big as possible.

I've been doing business for 25 years in Alberta. The changes over that period have been quite remarkable. Because of public and private investments many of the provincial institutions are now reaching critical mass and the most obvious places where that's happening is in the universities and medical facilities. I have spent a fair bit of time with the University of Calgary and the University of Alberta and I've been very impressed with the quality both of the programs and the facilities that have been made possible in part by Alberta's good fortune in energy. We are now working with both universities actually, Calgary and the University of Alberta, to fund something called the Alberta Finance Institute, which is trying to help create exactly the kind of people whom I need to run my business and that some of my colleagues in the financial sector need as well.

Now reputations tend to lag reality and it will take a while before the high calibre of academic staff and programs will be recognized externally but it is already happening. The Financial Times of London has this year ranked the Alberta MBA program in the top 100 in the world and number two in Canada. And the same is true in other areas like medicine and life sciences where the major constraints are attracting or training people fast enough to staff what are truly world-scale facilities.

Now the recent economic and financial problems have not passed Alberta by, but the province has held up relatively well in Canada just like Canada has not suffered as much as many other countries. There have been job losses. There have been cancellations of oil-sand projects and the conventional oil and gas industry in Calgary is feeling quite depressed to be honest. Lower oil and gas revenues imply that the provincial government will be running deficits for the next few years, an unusual phenomenon in the province.

I'd like to remind you that the one constant in all of this is that we tend to overeact to both good and bad news. In other words, right now most people are reasonably depressed about what's happening or over what has just happened, but I think we are far more depressed than we need to be. Yes, we have lots of problems, but I would argue that the Canadian and Alberta glass is three-quarters full and not half-empty or one-quarter empty or whatever. Canada's financial system is healthier than most and the financial stimulus provided by public-sector programs will eventually kick in. I think we are better equipped than most countries to deal with those problems particularly if you just don't sit around and wait for the government to solve your problems for you.

I think today is likely to be the darkest moment before the dawn, not the prelude to a projected bust. We think the global economy is already bottoming out and AIMCo intends to take full advantage of the investment opportunities that this represents. When growth resumes, both the demand and price of energy will pick up, so there is a reasonable possibility that Alberta will start growing again by 2010. It may not be a rapid straight-line recovery, but I think worrying about whether it is going to be "v" or a "w" or an "l" or whatever matters less than realizing that the end of this thing is near and that we should be concentrating on the long run. And of course being the kind of investor we are, that's what we tend to focus on to keep our long-term success the same as it has always been. You have to find productive people to deploy financial capital and the right technologies with well-managed companies. In the end the only sustainable jobs in companies are the ones that are efficient and productive.

Now the challenge in a resource economy like Alberta is that there is not much interest in productivity when times are going well and there is not much capital to become more efficient when prices are weak. You have probably heard the famous bumper sticker that is not for family consumption that Calgary and Edmonton have had about God giving them another boom, but there has not really been enough investment in the next upturn in my view to go into this with a really productive environment and that's where technology will come in. Alberta is a high-cost producer of conventional energy and a conventional industry will need a lot of new tricks to get oil and gas out of the oilfields efficiently.

Everybody talks about how Alberta has more oil than Saudi Arabia in the oilsands and that's true but again bringing in the right technology will be crucial because the existing technology is costly and immature in its use of water, energy and a number of other things. So lots more needs to be done to make that truly profitable for the economy.

Having said that, it is hard to imagine a scenario where Alberta will not do well over the next 20 or 30 years. And that's part of the message we're carrying to you with this group of companies meeting you today.

Let's talk about AIMCo. I knew I was in trouble last year when I was introduced in Calgary as Leo de Bever, CEO of AIMCo, the best-kept secret in Alberta. I guess I missed the point when AIMCo bought 20 per cent of the company called Precision Drilling. Many people concluded the province was getting into the drilling business. The good news is that it gave us an opportunity to explain who we really were and reasonable people understood but the bad news is that the world still has its share of very unreasonable people.

So who are we? Well we manage about $70 billion of Alberta's savings. It goes up and down. The daily volatility or weekly volatility I think is about $400 million so that shows you what markets will do to you. I'm told that makes us Canada's fifth-largest investment fund manager. We serve a number of public-sector pension plans and endowments like the Alberta Heritage Savings Trust Fund as well as the government's short-term stabilization money. It is mostly invested in short-term bonds. Now these funds used to be administered by the Department of Finance. A few years ago, the government looked at the international evidence, the models that are available, and the best practice of how you manage these things, and came to the conclusion that managing these assets through a separate entity structure like Ontario Teachers or CPP would constitute better governance and would lead to better long-term results.

So AIMCo was set up in January 2008. The board was appointed, a very independent board run by Charlie Baillie, and it has been a great comfort to me because it is the buffer between me and the old way of thinking. I came in in August 2008. My timing was impeccable. The bottom was falling out of the market just as I got into my seat.

I think the decision to create AIMCo was a very courageous one from a political perspective. It represents a very sharp break from the past. I'm sure we will have our challenges in ensuring that everyone sticks with the program, but the Minister of Finance and the Premier have been extremely supportive. My board and I believe that being separate from government is absolutely crucial to our success. Now Precision Drilling provided one good reason there should be no confusion about independence of the decision-making process. One of the things that actually happened is that government knew absolutely nothing about what was going on so our media policy probably needs to be adapted a bit.

There is a more fundamental reason why we need to be independent and that relates to the objectives we set ourselves and how we measure outcomes. Pensions and endowments policies specify that we invest about 60 per cent of our assets in stocks. Capturing the equity premium is seen as the cheapest way to get incremental returns. So AIMCo and organizations like it deliberately seek short-term risk in the equity market where annual historical returns have ranged from minus 40 per cent to plus 60 per cent. We do this because over time all that annual volatility tends to produce an attractive average incremental long-term.

Now in that framework our job is to consistently exceed annual market returns because over time those average market returns will turn out to be attractive. However reaction to AIMCo's minus 16 per cent return last year and the treatment of CPP at the hands of the Commons committee clearly show that politics and the court of public opinion have a different view. They don't like short-term risk. They think short-term losses should be avoided so they want their annual returns to be positive. That leads to a fundamental contradiction. The reason equity risk is rewarding in the long run is that annual stock returns are essentially unpredictable in the short run. So if managers could anticipate and side-step negative annual market returns, their actions would change market pricing and their rewards for taking risk would cease to exist. There is no evidence that this is the case so that leaves us with two solutions. We let the court of opinion set optimal investment policy or accept that there needs to be a buffer between long-term investing and politics.

I suppose there is an additional possibility that our policies are all wrong. The period since 1982, the bottom of the last bear market, has been absolutely the best 27 years in the last 100 years from the standpoint of running a 60-40 pension portfolio. So without wanting to belittle that last year there were negative returns, it seems to suggest that our expectations may be higher than markets can deliver and at the moment we have negative returns. We forget about how good things were.

If we get ourselves positioned right in terms of how the place ought to be run in terms of policy and how you value outcomes, what kind of a manager is AIMCo likely to be in the future?

Expect us to have a single-minded focus on providing the best outcomes for our investment partners. I use the term advisedly because the relationship with the funds we are managing is changing. AIMCo used to receive a very prescriptive set of investment instructions from its investment partner funds and that is now morphing into a discussion on risk tolerance and how that translates into a broad allocation to equities, bonds and real-return assets. After that it is up to AIMCo to find the best opportunities within these categories.

Now once there is agreement on policy, how do you create an organization that finds the right investments and manages them effectively? It obviously all starts with the right people. That's not just on the investment side but also on the risk-management and operations side. The investment and operations side have to work together to solve problems. I inherited an organization that was very weak in systems and understaffed in operations. We are upgrading our systems processes, controls, to best practice and our people are solving problems at an amazing rate.

We have been hiring. I started out with 120 people. I knew some of those were going to leave because they basically had signed on in the transition phase. We have replaced 30 of those and we have hired a total of 80 people so far. We are looking for another 50 over the next year or so. So now we are at the tipping point. Half of the people are new and the other half were there when we started. I think culturally that is making a huge difference.

Now what kind of people are we looking for? Our basic premise is that our people should be smart enough to work in any part of the organization so if you know someone who has what it takes to accept a brand new challenge in a fast-paced environment send them our way. The first thing that always comes up is Edmonton as a location and the place is cold. There are days in the winter when you wonder why you are there, but I lived in Wisconsin, I lived in Ottawa, and I can tell you that Edmonton isn't really all that much different. There is an interesting study that has just been done about Edmonton where you compare the perceptions of the people in the city and the perceptions of the people who don't live there. There is an enormous gap between the two. People in the city find all sorts of good things to say about it. People on the outside have this notion that there is only one word—cold. There is a lot there and I have had no trouble so far bringing people to Edmonton.

What we are doing frankly is bringing people in for a while to make sure that before they jump they are quite aware of what the city has to offer. Many of us have moved for what is a unique opportunity and that's where it all starts. I think this is a unique opportunity. We are able to give to medium-level professionals an opportunity that would be very hard to beat anywhere else. We are also attracting many talented Albertans who previously moved away to centres like Toronto and New York and are now coming back, sometimes for family reasons.

Now a lot of what we intend to do is just plain common sense. We have abandoned strict asset class silos. We are encouraging co-operation and opportunities that don't neatly fit in traditional asset classes and I learned a long time ago that the easiest return you can make for your partners is not spending money needlessly. That means doing the basics well, eliminating needless complexity. Our industry has to strive for efficiency just like any other and maybe that is another lesson from the downturn. I know that a few years ago in almost any country I looked at, the size of the financial sector was doubling and that somehow didn't make any sense to me. But I didn't know why. I think we have just discovered why.

Now on cost efficiency, I started with an organization that spent 75 per cent of its budget on external management of 25 per cent of its assets. We will be very pragmatic on how we are going to change it but we are going to change it. We are not going to do anything we are not capable of, but we are going to attract the talent to replace some external managers with internal management. It has to be a pragmatic trade-off, not just based on cost but also on benefits. A few examples might give you an idea of which direction we are heading.

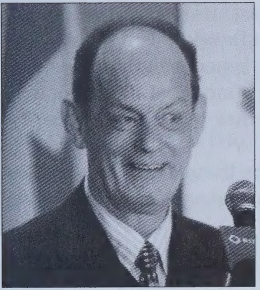
Our existing private equity portfolio is highly concentrated in funds. In other words we pick people who manage the money for us. We now have an office at 70 York Street to get more efficient access to direct private equity deal flow. Expect more transactions like Precision Drilling where we use our capital to help listed companies achieve objectives they could not achieve on their own.

Now part of the reason I am here today is that we want to make it very clear that we are very open to working with other pension funds, with endowment funds, and other institutional investors on large projects and we would invite you to work with us in Alberta. Yes, we are a new player on the block, we are ready to implement best-investment practices, and improve upon them if we can. In the coming months we will be exploring investment opportunities with many of you in this room and others around the globe.

Thank you for the opportunity to share my thoughts with you and I hope to see you soon in Edmonton. Thanks very much.

The appreciation of the meeting was expressed by Heather Ferguson, President, The Hearing Foundation of Canada, and Director, The Empire Club of Canada.

Leo de Bever, CEO, Alberta Investment Management Corporation (AIMCo), and Jo-Ann McArthur, President, The Empire Club of Canada, and Principal, fisheye.



June 18, 2009

A joint meeting of The Empire Club of Canada and The Royal Commonwealth Society

Rex Murphy

Broadcaster and Commentator

CANADA DAY AND CANADIAN POLITICS

Chairman: **Jo-Ann McArthur**
President, The Empire Club of Canada

Head Table Guests

Edward P. Badovinac, Vice-Chair, Royal Commonwealth Society, Toronto Branch, and Director, The Empire Club of Canada; Rev. Dr. John S. Niles, Senior Minister, St. Andrew's United Church, Markham, and Past President, The Empire Club of Canada; Charles Shanks, Senior Producer, Cross Country Checkup, CBC Radio; Peter Steinmetz, Partner, Cassels Brock; Sylvia Stead, Deputy Editor, The Globe and Mail; Leon Raubenheimer, CEO, ZED Financial Partners; Tim Reid, Director, Business Development, ZED Financial Partners, and Director, The Empire Club of Canada; Taylor Reid, Grade 11 Student, Havergal College; Gwyneth Pryse-Phillips, Branch Administrator, BMO Nesbitt Burns; and Peter K. Large, Chair, Royal Commonwealth Society, Toronto Branch, and Barrister and Solicitor.

Introduction by Jo-Ann McArthur

I, as many others here, won the lottery when I was born Canadian. Others of you have been lucky enough to become Canadians.

Canada is annually cited as one of the most desirable places in the world to live by the United Nations Human Development Index.

Bill Clinton has stated, "In a world darkened by ethnic conflicts that tear nations apart, Canada stands as a model of how people of different cultures can live and work together in peace, prosperity, and mutual respect."

Marshall McLuhan said, "Canadians are the people who learned to live without the bold accents of the natural ego-trippers of other lands."

And that brings me to today's guest speaker for our annual Canada Day Luncheon. As host of Sunday afternoon's Cross Country Checkup, Canada's only national open-line current affairs radio program and a staple listen when returning from the cottage, Rex Murphy is the voice of an old friend or trusted neighbour. Rex also writes a weekly column for the Globe and Mail.

He provides his "Point of View" to the National, often saying what needs to be said but no one else is saying, nor could they say with such wit and poetry.

CBC may be our national voice, but it can be slightly left leaning, so I'm always happy to hear the addition of Rex's more centrist views. And I think it fair to call him a centrist since he's run in provincial politics both as a Conservative and as a Liberal.

Rex Murphy was born in Carbonera, Newfoundland and Labrador, a town of about 4,000 located on the west side of Conception Bay.

Upon graduation from Memorial University in 1968 he promptly went to England to study at Oxford University as a Rhodes scholar. He did not, however, promptly receive an Oxford degree. I think there's a good story in there!

Ladies and gentlemen, please welcome Rex Murphy.

Rex Murphy

Madam President, head table guests, essay winners, guests, and members of the Empire Club, it's a little intimidating to be up here at all and I expect it is not for the normal course of reasons. Whenever an audience is subjected to my presence, it is usually a fairly good indication that John Crosby is sick.

I really do want to thank you for the invitation. I rarely get out and certainly even more seldom by invitation. It may darken your anticipation of the next 30 or so minutes to realize that this is actually my second occasion at the Empire Club, which perfectly illustrates the wisdom of Dr. Johnson's remark about the triumph of hope over experience.

I was baited to the occasion by the venerable Tim Reid who shares the genetic havoc, that constitutes a Newfoundland personality. He invited me here, but he lied his head off. He said we would be having fricassee of seal heart à la Michaëlle Jean and I see of course that that is not indeed the case.

Also, because it has been so long, I had hoped if an invitation for a second event came my way that I could have returned as a senator. Alas, I am the peasant that I was the last time, whereas it is Mike Duffy who has been levitated to the velvet reposes and cashmere-swaddled luxury of the harem chamber house that is at the benefit of the political party in power. I'm really glad that Mike has made it to the Senate, if only for the relief it gives to the Canadian public by putting to an end to what is possibly the longest audition in Canadian history.

I see my colleagues of CBC here and it is a difficult time for us at CBC. I'm not speaking of the economic stress because I fear that is probably universal, but in our house the mourning we are most deeply engaged in is over the departure of Don Newman. As far as parliamentary coverage is concerned, it is a little like taking the dome off the Vatican or if I can slightly revise that image it is a little like visiting the local bordello only to find that the archbishop has withdrawn his patronage.

This is a matter of the Canada Day address and I'm going to be extremely particular in one sense. Insofar as these remarks have any coherence, they're going to detail more or less the day-to-day activities of Canadian politics as we have come to know them, and I hope to make points about four elements of them before drawing a general conclusion that relates to the nature of the country we enjoy. And those elements are elections, partisanship, language, and civility and I will, as I said, detail them in a while.

For those of you who started this week with the wonderful dance of the seven veils—it was Michael Ignatieff laying down his conditions—I presume we were all cheered by the news or in some ways cheered by it, I'm not, that we are going to have no election at least until September. This is very difficult to bear. I mean it has been a whole seven months since the last election and it has to be seriously questioned whether Canadian democracy can stumble through the blistering summer months of July and August on a stale mandate fashioned way back in November. Seven whole months without a democratic intervention.

I know I can't speak for the entire Empire Club, but unless I see Jack Layton on a very big bus very soon laying waste to the ozone layer in Saskatoon, I'm going to be having withdrawal pains.

I want to see Michael Ignatieff on the road again. He is after all the thinking man's Willie Nelson. I met him in the early days on his first run; it was about two years ago at an airport in Edmonton, where he was reciting Rudyard Kipling to steady his nerves. He was very fresh to the country at that point and I came away with the strange notion that he thought Shania Twain was one of the Northwest Territories.

I know I speak for me when I say, "I want to see Stephen Harper in his blue campaign sweater one more time." I really liked him in that vest. Do you agree? It brought out that Harry Potter quality in him. And I especially liked him when he smiled. When he dropped that smile, what a wonder it was. It was like the cracking of the Arctic tundra under the ancient thunder of the stampeding buffalo herds. We don't have enough of those moments.

Anyway elections are what it is all about now. From the day that Paul Martin—we are going back a way—drank from the poison chalice that Mr. Chretien had brewed in the form of the sponsorship scandal, Canadian politics have been a cascade of premature and more or less pointless, the standings haven't really changed, elections.

Now some of you will remember the old days when Parliaments actually met to pass bills and hold debates on them, when members spent four or five years refining their sense of the issues and the country, leading voters in the tranquility of the choice that they had already made. Parliament then had something of the qualities of a long-term relationship—security of supply and comfort of accommodation. Those days are passed. Parliaments in the old days were home. Today they are a motel for randy spin doctors and posters—an electoral quicky mark.

In Canada may I suggest a new definition of Parliament. It is an interval of scheming and rancour, seasoned with scandal and apology designed to provoke an election. The function of Parliaments in an age of minorities is to provide strategic and rhetorical cover, a string of spurious rationalizations in order that the Governor-General may be harassed and arrange another trip to the voters.

Now should we have another one in September, and I think we will, that'll be four in about five years. If you add up the time that political parties used to set themselves up for elections, rattling their tinsel sabres and tying up Parliament, and the elections themselves, essentially Canadians spent more time in elections or being spooked over the prospect of elections or regretting the futile experience of having elections, than the MPs spend doing the business of the people in the House after elections.

This is a curious term. Parliamentary government is now in large part a continuous exercise to set the other guys up for a losing trip to the polls. All parties share this understanding except for that one period when one dethroned leader of a party with half the seats of his rival formed an alliance with a party with only half of the seats of its own and received underwriting for the whole mutation from the only other party there that was baptized in the creed that Canada should not exist to have a government in the first place. You will remember that as the coalition crisis. If it had worked, a probability slightly less than a herd of cows editing Margaret Atwood, we would have had our first Ikea government.

Canadian politics has become an extended feud of continuous buyers' remorse. What we've got is not what we want. There has to be a middle ground between say Barack Obama and Stephen Harper and Michael Ignatieff.

And first, a serious point. Obama's ascension as a world figure embodying a strain of idealism is grounded, and remember this, is grounded in the wonderful arc of the story he embodies; from the fractured foundation of the world's greatest republic, founded on the principle that all men were created equal, but simultaneously on a foundation of slavery; from that moment through the great pain and blood of civil war and the emergence of Abraham Lincoln which began the moral repair of America. The next sweep of the arc was Martin Luther King, whose march on Washington was the greatest moral advance in American politics in the second half of the twentieth century. And now with Obama's election as the first Black president, the arc is complete from slave to first magistrate. The story is a wonderful one and is, though it is not said as often as it should be, as much a triumph for the American polity as it is for Obama, the person. On one thing we will all agree. The story is wonderful and his persona is a gift to the practice and idea of politics. The politician who has the capacity for or calls forth the almost suffocated sense of political idealism in a time of otherwise nearly universal cynicism and disengagement. His ability to summon idealism is not unattached to the association with this grand two-century-long moral story. He participates in that. It is one great theme of unquestionable moral weight and is larger, wider, more uplifting, and transcending than the day-today trash talk and partisanship of fools that we call normal politics.

Now here is what Obama does tell us and for which we do not have to wait for confirmation. His example itself is the proof of the point. His example tells us that we all hunger for a better, larger, more noble politics and that hunger is deep and near universal. Whether he as a given person or president can sustain the expectations that he has set up, whether his policies as opposed to his persona, and they are separate dynamics, will fulfill expectations is very much an open question. But the central consideration is this.

He speaks his example. The person of Obama, the wave of global interest and the embrace that he has received, speaks to our hunger for something larger, more consequential, of more integrity and nobility than politics has been. It speaks authoritatively about us, not him, and the message applies with equal force in our country as in theirs. It is, I think, almost a commonplace to the point of being a truism, but in the age in which we find ourselves we have unravelled the prestige and authority of public life—the link of trust and inspiration that must exist between elected and electorates, between people and government, between citizens and the practice of politics. As life has become easier we have become careless. Care less. We've hollowed out respect for our institutions, blurred historical memory, forgotten the turmoil and sacrifice that was spent day by day over the generations to build a system that supplies us with ease and freedom and turned the whole process over as fodder for second-rate late-night comedians and a do-it-yourself kit for a professional class of consultants, strategists and game players, whose conception of public life is only as wide or as deep as their own chances of getting a leading place in it. And they then wander the world afterwards as consultants, fixers, and writers of ungrammatical memoirs.

From the sham of electoral platforms to the absurd and calculated theatricalities and false pieties of question period to the always growing list of mismanagement and scandal, our politicians, our practice in politics, has become narrow intensely partisan, shallow, fake, and fundamentally unserious. We have in Canada no figure, and no figure who even makes a near approach, to the remarkable radiations put out by the Obama candidacy. Now this is not a matter of charisma. A politician does not have to be charismatic by nature, though some are. Some grow their charisma.

I'll give you an example. I'd point to Peter Lougheed. Peter Lougheed is an unquestionable example of such a figure. His charisma came from his practice and his manner, not his debut. His manner was respect, seriousness and deep patriotism. In fact, let me go a stage further. The practice of politics as a trader's game of gotcha and scandal and pettiness of attack diverts the channel from which all charisma flows. You can't act like that and set up the awe of integrity and authority that constitutes charisma. It reduces the practice of politics. It desiccates it. It narrows the field of energy, which should feed politics and solicits only or mainly those whose first imperative on entering public life is their own comfort and prestige or derailing the comfort and prestige of those who hold office in place of them.

Finally, it withdraws the power of edifying example from the young. The relentless posturing and noise, the pettiness and mediocrity of tactic and expression, locates politics as an activity, not to be emulated but to be avoided. Politics in this country carries a hazard light, not a beacon. The sea-saws that we have seen in the last three elections, the almost stagnant equivalence between the two main parties and their two leaders in the polls in successive conditions and under successive leaders is almost utterly an index of common disenchantment outside the partisan sphere. Outside, in other words, that core of purely party loyalists, whose DNA is somehow entangled into partisan identification. The rest of the electorate is de-energized by what they have been offered. They are weary from the empty games and even more exhausted by the absence, by a vacuum; the vacuum of convincing presentations beyond piety and platform cliché of the meaning of this country or some evocation of a program that aims towards the enhancement, the extension, and the protection of the meaning of this country. Our elections are small, they're bitter, and save for the box scores, in the main they're meaningless.

I challenge anyone in this room of adult sensibility and ask you, "Did you wake up feeling larger as a Canadian, feeling extended in your inheritance of being Canadian, revivified in your idea of the country, the morning after any of the last three federal votes?" Our politics have shrunk to the partisan games and partisan motivations that propel them. We have reduced the wide field of democratic practice almost utterly to the artful hustles of partisan machinery.

Political parties are not vehicles of ideas or superior motivation. They are not the laboratories of new forms of civic engagement or invention. They are dedicated to manoeuvre and tactic above all. They reduce everything to the most basic metric—can we win? Little by little over time citizens have been disengaged or been repelled by so narrow a conception of politics. Politics has shrunk and been reduced to a field of tactics, hollow persuasion, and partisan strife.

There are other elements just following in the wake of this. It is almost universally recognized that there has been a jettisoning of civility and respect in public debate, but what is not so easily acknowledged, however, is how deep a symptom and disease this is. Civility is cardinal. Nowhere is its retreat or its banishment more evident than in the grand chambers of our ultimate democratic debates—the House of Commons.

On any proper understanding, a visit to the House of Commons of this country by a citizen of this country should nearly approach a sacred event. That seems astonishing. But it isn't. The House of Commons is the vessel of our common will and hope, the guardian of our heritage, and the ultimate articulator of our common Canadian way of being. It is not our libraries, not our research facilities, not our broadcasters, not our newspapers, not the great towers of industry, not the studious walls of our universities; it is not army, church, or talent hall that approaches the real significance properly understood in its widest sense of the House of Commons.

There is a reason the House of Commons is architecturally solemn and imposing, that it has presence and gravity. It is an emblem, or used to be, of the significance of what goes on beneath its weighty buttresses and busy spires. Manners are the outward manifestation of social conscience. They are the reflex gestures of a civilized people. In a complacent time, manners are always the first to go and when they do it is too late to fix by law and statute, what the general habit of social conscience has abandoned. Bad manners in question period are not a signal that our MPs have forgotten who they are. It is a signal that they have forgotten what they represent.

Parliamentary debate is supposed to be the cultured conversation of a nation. Our politicians are not as large as the country they seek to administer or responsive to the great pulses of national sentiment and esteem that fire the better spirits of all Canadians. We are less than we should be. That's obscene. I will give a quick review of things in most recent memory.

We've had a $13-billion or so bale-out of the auto companies and what has absorbed the attentions of our tribunes? Whether Ruby Dhalla's basement has a big-screen TV and the number and frequency of the shampooing of the Dhalla household carpets or what Lisa Raitt's aide has left in the bathroom of the House of

Commons. Now I admit I'm as mesmerized by the lost and found department as any guy and I'm as gripped by the sanitation practices of the Dhalla clan as any reasonable person could be expected to be. But why were these at the top of a parliamentary agenda as we teetered on the abyss of financial implosion.

The billion-dollar bale-outs were pitched by both Premier McGuinty and Prime Minister Harper as "no-choice alternatives." Why do we have Parliaments to exercise debate over choice? We were told once the Obama administration decided to bale out GM, according to the Premier and the Prime Minister, Ontario and Canada in their own immortal words had no choice. So on that declaration of our national and industrial sovereignty, we had instead more or less in the background the endless self-serving yodelings of Karl Heinz Schreiber of the Airbus deal. These giddy hearings, which were a cross between "Let's Make a Deal" and "Bizarro Jeopardy," had parliamentarians on both sides endlessly unravelling the interminably sleazy saga in the ruthlessly partisan hope that some splash from the great well of Schreiber-stuffed binders and intermittently functional powers of detailed recall would do damage to one side or the other.

Meantime in another jurisdiction down in Newfoundland, in the intervals between Danny Williams's reliably volcanic eruptions, we had our MHAs tagging their expense account and running up hundreds of thousands of dollars for lapel pins and fridge magnets and making expense account claims that would bankrupt the Sheik of Dubai.

Over in England, however, they have been absolutely splendid. Remember we are in the middle of a financial meltdown and the greatest financial crisis since the Great Depression, and members of the world's oldest and most celebrated deliberative chamber, the mother of Parliaments, have been charging taxpayers for cleaning their moats and building houses for their pet ducks.

And as for a climax, let's have a look at this week and what a wonderful karaoke that has been. Stephen Harper and Michael Ignatieff, two of the most intelligent leaders we have had in a long time, performing hollow pantomime. Mr. Ignatieff demanding Mr. Harper (I'm not sure what—it is hard to follow Mr. Ignatieff when he hits an unyoked gerund) but it was something that married vagueness and menace in very interesting proportions. My description of it was it was the world's first ultimatum made up entirely of sub-clauses. Enter Mr. Harper. Arriving in an SUV wagon train at the National Press Club after an overland voyage from the PMO across the road, he returned petulant taunt.

Scandals, while good for amusement and outrage in equal parts, are not however the whole or the central problem, nor is distraction from anything that constitutes something like the national interest in the real issues of the day consuming time in the House of Commons. It is even more than frequent elections. It is the radically emptied language that politics has adopted. Almost without exception, every statement, every press release, every press conference presentation made or given by a politician is instantly by the listener or watcher put through a decoder. When we hear statements by politicians we no longer ask, "What did he or she say?" we ask instead, "What did they really mean?" The words themselves are treated not as statements or strings of information, but as a set of clues as to what they're really up to. When a Liberal for example says, "It is important that the Canadian people should know what is at the bottom of the Mulroney-Schreiber affair," what he means is, "Is there a way we can get some of this to splatter over on Stephen Harper? That'll be good for us."

But when the Conservatives stood up and argued that the Canadian people expect that foreign caregivers be protected, essentially what they were saying was, "Hey, if this thing spreads, Rhuby Dhalla is toast and Ignatieff will be left with one less high-profile multicultural woman."

The language of politics today is understood as requiring immediate decoding. Listening to a political speech is an exercise in translation, not from one tongue to another, French or English or vice versa, but from what he or she has said to what we, the audience or the voters, can reasonably infer, guess or deduce, from the given string of words and attitude, what he or she actually intends or really means.

The statement, for example, "that we must broaden EI benefits" actually means "If the Tories turn this down it will hurt them and do us good." Or when the NDP bewailed the government's lack of concern for working Canadians, that meant "If we can get them to wear this we look good."

What is the most frequently asked question after a politician says something. Not "What did he say?" but "Why did he say it?" Not "Is this true?" or "Does it make sense?" but "Why is he saying this now?"

We reach, in other words, for motive, not content, and that should tell you how far political language has decayed, when the thing being said is the least significant part of any political communication.

It's what you can guess from it. Of Michael Ignatieff this week and his numerous multiple declarations that "I don't want an election; the Canadian people don't want an election," we put it through the normal translation and it comes out as saying, "I wonder, just wonder, if I can get away with an election without having to wear the blame for one."

The phrase, "the Canadian people," shows up a lot. It doesn't mean the Canadian people; it is a rhetorical scarf, a camouflage bandanna, to provide partisan cover for hyper-partisan intent. The phrase, "in the context," we most frequently hear has all the fierce moral urgency of "Your call is important to us," and the evocative sweep of a used-car ad. It is not just meaningless; it is less than meaningless. It subtracts from your understanding.

The evacuation of civility and seriousness from public debate and the corruption of language to a sequence of hints and clues are the four elements in the decline of public engagement in politics in Canada.

We have a country that is so much larger than the politics that is supposed to be served. Seeing Canada through the lens of parliamentary practice is like viewing the Rockies through the wrong end of a telescope. We have built something precious here. We have wealth; we have immensity of resource and landscaping; we have codes of civic behaviour built up over the generations; we have an unflamboyant patriotism deepened with the sacrifice of two major wars and participation in 50 years of peacekeeping; we have institutions of the first excellence, a ready and intelligent people, and it seems an almost providential exemption from the miseries, angers, catastrophes, and horrors of most of the rest of the world and of history. We have had uninterrupted tranquility since the year 1945 from all major turmoil and upheaval—the major lot of the major populations of the entire rest of the globe. It seems as if by some idle stroke of the most benign providence we have been exempted from the torments, the horrors, and the miseries of history.

And we have built over the five or 10 generations that have existed in this place from sea to sea, north to south, that appetite for the central code, that appetite for the middle way, of compromise, of ease of dispute, and ease of discussion. We have founded a sensibility on our own connection to the land that we have. And, as I have just stated, the immensity of the inheritance that we have received, the extent of landscape, the wealth it represents, and the institutions that we have built up here and the day-to-day transactions of literally millions of citizens is an inheritance that is the unchallenged entity of any other part of the world. That 30 million in tranquility, in sophistication, wealth, education, and with a fixed moral compass, should even exist on a globe is a miracle beyond our own comprehension to appreciate or to receive.

That's what we already have and it's a function of politics to recognize the values of a way of being, to see the depth of the things that we already possess and their invisible glory and worth, and then to fashion the process and policies that will deepen our retention of those things we hold so dearly, and will also give them security against the future and bring to the very front lobes of our own brain how conscious we should always be of just how damn good we have it.

The politics we have seen is inadequate to the point of inarticulation. Politics has shrunk. It is a partisan game. It is not enlivened by the aspirations that tend towards the future. It is demeaning. It is as I said more hazard-like than a beacon. That is not the politics equivalent to the country that we now possess, that we have received and that has such a depth of meaning, significance, and value to us all. Canada is a country most benignly situated and unfathomably blessed. It needs a politics as large as itself to consolidate, deepen, extend, and enhance the wonder of how good we already have it. Canada didn't just happen. It was built. Our politicians should be scouting the terrain of our common future and our politics should be an instrument of edification and regard. They aren't. This country deserves, no… this country requires… better.

You have been very kind with the invitation. I thank you very much for it.

The appreciation of the meeting was expressed by Peter K. Large, Chair, Royal Commonwealth Society, Toronto Branch, and Barrister and Solicitor.

In Memoriam

SYLVIA MORAWETZ

(nee Henderson)

Passed away on
Easter Sunday April 12th, 2009

Ms. Sylvia Morawetz was an inveterate giver.

She enjoyed a rewarding 20-year private sector career at IBM Canada Ltd., much of it spent managing healthcare client relationships. In her own words:

I saw the introduction of the personal computer, the incredible downturn—and almost failure—of a multi-billion-dollar business, and then its revival and rebirth. It was the most exceptional learning experience of my life.

At the Empire Club of Canada however, we knew her as a beautiful, vivacious volunteer who was unfailingly courteous, positive and willing to make a contribution. She was generous with her time and made manifold contributions to the Club. She was always happy to lend a hand, think of new ideas for luncheons, put together head tables, look for sponsors and just make sure that our events succeeded. She was a natural relationship builder who captivated all of us.

The Empire Club of Canada was just one example of her wide-ranging philanthropic work. She also made significant contributions to organizations as varied as Health Canada's First Nations and Inuit Health Branch, the Centre for Addiction and Mental Health, Queen's University School of Business, the Canadian Alliance for Children's Healthcare, Ryerson University, Regent Park School of Music, and The Tapestry New Opera, where she was President for two successive, three-year terms.

She faced the world with spontaneity, creativity and a ready smile. The Empire Club of Canada and all those who benefit from its work are better today because of the contributions of Ms. Sylvia Morawetz.

ANNUAL GENERAL MEETING
President's Report

June 18, 2009

Chairman
Jo-Ann McArthur, President

Jo-Ann McArthur

Honorary Officers and Directors, Past Presidents, Officers and Directors, Members of The Empire Club of Canada:

Notice has been given that our Annual Meeting of Members is to be held on this date and at this place and Tim Reid, a Director of the Club, will act as Secretary for the meeting.

Thank you for attending our Annual Meeting of Members.

In accordance with Article VI, Sub-section 2 of the Empire Club's Constitution, I am required to report on this year's activities—the obligatory reporting of facts, status and achievements of the Empire Club's 2008–09 speaker season, its 106th year.

And I would like to thank the many of you who helped make this past year a most memorable one for our Club, for our members and guests, our speakers, and certainly for me.

It was a very very tough year on a number of fronts. All of the best planning goes out the window when the world goes into recession, companies pull back on their sponsorship and attendance at "non-core" events and your leadership ladder and committees collapse.

We also faced an increasingly competitive landscape with the addition of the Munk Debates and other new speaking forums. Thank you to everyone who stepped up in these exceptional times. We survived and at times thrived and continue to show that there is a thirst for shared experiences and debate.

I said at the start of the year that we needed to continue to maintain our relevance while respecting our traditions. We freshened things up with alternate formats—debates, panels, as well as speeches. We started taking questions from our television audience during live events.

It hasn't always been easy, but it has been a privilege to share lunch with truly inspiring and visionary people and to serve you in this 106th year.

Meetings and Attendance

We had 26 luncheon meetings of the Empire Club during our 2008–09 year, including six joint meetings with the Canadian Club of Toronto and one with the Royal Commonwealth Society, Toronto branch. We also had three special members-only events. A total of 6,637 people attended these events, which was an average of 255 people per event.

Sponsorships

Virtually all of our regular events had a Head Table sponsor, which together with sponsored student tables and sponsors for the Investment Outlook generated sponsorship revenues of $86,900.

I would like to extend a special thanks to Past President George Cooke and the Dominion of Canada General Insurance Company. George and Dominion of Canada have been very helpful to the Club for many years, and in this past year once again sponsored a number of our luncheons, particularly ones with speakers who didn't have a sponsor constituency.

Membership

Our membership as of today is 910. We have hovered around this level for some time, so we are replacing members as we lose them, but we're not making substantial inroads in attracting new members. The members-only events that we added this year called "Off the Record" featuring insider views of current issues and events was a positive first step and a major source of those new memberships. Held after work during the cocktail hour it was a well-received new format for the Club.

In Memoriam

Regretfully, a very close friend of the Empire Club died this past season and will be sorely missed. Director Sylvia Morawetz, who arranged for a number of high-profile speakers and high-profile head tables in the past few years, was in many ways the social conscience of the Club. Her bright light, optimism (and fabulous outfits) will not be forgotten.

Welcome Back

Welcome back to our incoming President Alfred Apps, who served on the Empire Club Board in 1994/95. Alf is a senior partner at Faskens, speaks three languages, has five daughters and is President of the Liberal Party of Canada. This is a man clearly up for a challenge, so it gives me great pleasure to welcome him back and it will be a pleasure serving with you sir!

Thank You

I'd also like to thank Bart and our admin staff of Debbie and Ann. Bart recruited me onto the Board and he served this year as our first Executive Director, all be it on a theoretically part-time basis. In this day and age a Club like ours needs professional leadership and I thank Bart for his.

Bart and I met through the Sarstock concert for half a million people that I organized—he and Gail were my crack Crisis Team—so it seems appropriate that I should close off my report with a quote from that great philosopher, Keith Richards:

“Life should NOT be a journey to the grave with the intention of arriving safely in an attractive and well-preserved body … but rather to skid in sideways, champagne in one hand, strawberries in the other, body thoroughly used up, totally worn out, and screaming WOO HOO—What a ride!”

Thanks for an exciting ride!

Respectfully submitted,

Jo-Ann McArthur

President, 2008–2009

Report of the Nominating Committee

June 18, 2009

Catherine S. Swift

Madame President, fellow Past Presidents and Directors, members of The Empire Club of Canada, it is my pleasure to chair the Nominating Committee constituted in accordance with Article V of the Club's Constitution and to report its recommendations to this meeting respecting the Club's 2009–2010 year.

The Nominating Committee

The Empire Club Constitution requires that the Nomination Committee consist of at least five Directors and four members of the Empire Club. The following names were proposed to the Board and received unanimous support of those present by teleconference call:

Catherine Swift, Chair
Stephen Hewitt, member
Don Johnson, member
Joanne Rider, member
Bob Weese, member
Doug Morris, Director
Margaret Samuel, Director
Effie Triantafilopoulos, Director
John Walker, Director

Honorary Officers

It is the recommendation of the Committee that the following continue to serve as Honorary Officers for the 2009–2010 year:

Honorary Chairman
The Hon. Henry N. R. Jackman, OC, KStJ, OOnt, CD, LLB, LLD

Honorary President
Her Excellency, The Rt. Hon. Michaëlle Jean, CC, CMM, CD, Governor-General of Canada

Honorary Vice-President
The Hon. David C. Onley, OOnt
Lieutenant-Governor of Ontario

Honorary Chaplain
The Rt. Rev. Colin J. Johnson

Honorary Secretary
The Hon. David Crombie, PC

Honorary Treasurer
Hartland M. MacDougall, CVO, OC

Honorary Solicitor
The Hon. William G. Davis, PC, CC, QC

Honorary Directors

It is the recommendation of the Committee that the following continue to serve as Honorary Directors for the 2009–2010 year: Jocelyn Badovinac, Willis Blair, Mary. R. Byers, The Hon. Barnett J. Danson, PC, OC, A. Carlyle Dunbar, William J. McCormack, OStJ, Larry Stout, and J. A. William Whiteacre, MM, CD, QC.

Directors

According to the Club's Constitution "the Board of Directors shall consist of forty members, including at least four Past Presidents of The Empire Club of Canada, one of whom shall be the immediate Past President and the other three shall be the Past Presidents immediately preceding the immediate Past President, if willing to serve."

Therefore, in recognition of this constitutional requirement, the Committee nominates the following Past Presidents as Directors of the Club for the 2009–2010 year, all of whom have agreed to serve:

the immediate Past President Jo-Ann McArthur, and Past Presidents Catherine Swift, John Niles, and William Whittaker.

Furthermore, the Nominating Committee recommends that the following members of the Board continue to serve in the coming year:

Charles Coffey, Consultant and Director at Not-for-Profits

Verity Craig, Managing Director, CV Management

Heather Ferguson, President, The Hearing Foundation of Canada

David Goodwin, Insurance Representative, Ontario East Insurance Agency Ltd.

The Hon. William (Bill) Graham, PC, QC, BA (Hon), LLB, DU

Kamal Hassan, CEO, Skymeter Corp.

Roberta Jamieson, CEO, National Aboriginal Achievement Foundation

Doug Morris, President, Morris Glass and Windows/Humidity Solutions

The Rev. Dr. John Niles (Chaplain), Senior Minister, St. Andrew's United Church

Margaret M. Samuel, President, CEO and Portfolio Manager, Enriched Investing Incorporated

Robin V. Sears, Principal, Navigator Inc.

Effie Triantafilopoulos, Consultant and Director at Not-for-Profits

John Walker, President and CEO, Transition Plus Sustainability Solutions Inc.

William F. (Bill) White, President, IBK Capital

Resignations

I take this opportunity to thank the following people for their contributions to The Empire Club of Canada:

Ed Badovinac

Lisa Baiton
Mary Lou Benotto
Diana Conconi
Anne Fotheringham
Duncan N. R. Jackman
Don McCutchan
Sylvia Morawetz (deceased)
Derek Nighbor
William Robson
Rocco Rossi
Ken Shaw

Nomination of Directors to the 2009–2010 Board

The Nominating Committee is pleased to nominate the following members to the Board of Directors:

Beverly Brooks, Vice-President, Hill & Knowlton
M. Craig G. Brown, Partner, Faskin Martineau DuMoulin
Mike D'Abramo, Director, Research and Strategy Youthography Inc.
Helmut Dostal, President and Publisher, BCS Communications Group
Rudyard Griffiths, Author, Commentator; Co-Founder, The Dominion Institute
Tim Hodgson, CEO, Goldman Sachs Canada
Anetta Jewell, CEO, Great Lakes Brewing Co.
Kate Lyons, Partner, Goodmans
Daniel J. McCarthy, Vice-Chairman, CIBC World Markets Inc.
Costas Menegakis, Founder, Tilwood Group Inc. and President of the Toronto Greek Community
Andy Merchant, President, Canadian-Pakistani Business Association

Minhas Mohammed, Principal, MM Ventures

Marc Reeve-Newson, 30 year old; lots of help to Empire Club over the years

Vivian Prokop, CEO, Canadian Youth Business Foundation (CYBF)

Neil Selfe, Managing Director, Investment Banking, GMP Securities

Eileen Toby, Independent Senior PR. Counsel

Officers

Furthermore, the Nominating Committee recommends the election of the following as Club officers:

Richard Goodall, CA, will continue as the Club's Treasurer.

Alex Squires will continue as the Club's Secretary.

President
Alfred Apps

1st Vice-President and President-Elect
Heather Devine

2nd Vice-President
Tim Reid

3rd Vice-President
Stanley Hartt

Respectively submitted,

Catherine S. Swift,
Chair, 2009–2010 Nominating Committee
The Empire Club of Canada

THE EMPIRE CLUB OF CANADA
Membership 2008–2009

Life Members

William Allan
Mr. & Mrs. Leland H. Ausman

Ed and Jocelyn Badovinac
Joseph Batty
Willis L. Blair
R. L. Broad

Mrs. Charles Carter
George L. Cooke
Mr. & Mrs. Elgin E. Coutts
Nola Susan Crewe
Mrs. Matthew Currie

George C. Damiani
Douglas A. C. Davis
Elvio DelZotto
Mr. & Mrs. Douglas Derry
Robert G. Douglas
Annabel C. Duncan

Dr. David J. Fieldhouse
A. E. Fitzpatrick
Col. C. Sidney Frost Jr.

George Raymond Gibson
Wayne Scarisbrick Gray

George S. Hanson
Paul T. Hellyer
Roland E. Henderson
Adam B. T. Hermant
Peter Hermant
John D. Herrick

Dr. & Mrs. Eric Jackman
The Hon. Henry N. R. Jackman
Willy Jong
Friederich Jung

John Kemp

George R Laidlaw
John Lawer
Eric N. Lehner
James Lewis
Mr. & Mrs. D. D. Lucas
Joseph Luciano

Nona Macdonald Heaslip
Colin MacKenzie
John & Gail MacNaughton
Ewald P. Mazurek
Fred G. McBrien
John S. G. McCrimmon
Konrad R. W. Mech
Ann Mirvish
D. V. Mosher

John F. Nagel
Chris Nickerson

Dr. Sheila Pollock
B.Gen. D. A. Pryer

Stevan Ralph
Grant L. Reuber
John E. Richardson
Rev. Canon & Mrs. H. F. Roberts
The Hon. Col. R. C. Rutherford

J. A. Seyfried
Mrs. H. R. Shaver
J. R. (Bob) Smeed
Dr. & Mrs. R. F. Stackhouse
G. O. Stafford
Henry J. Stalder

Graham John Tappin
Leonard I. Turkevics
R. Turnbull
L.Col. P.J. Tuz

Senior Members

D. S. Affleck
H. H. Alexander
R. F. K. Anthony
G. Warren Armstrong
Marvin S. Arnold
Douglas B. Astley
Donald Avery

Bill Bahen
Sonja Bata

K. J. Beamish
Josephine Beard
Ruth Beaucage
Avie Bennett
Dr. Henry Berry
Peter J. Bloemen
Roel C. Buck
Alexander Budrevics
Lorraine Burbage
Libby Burnham
Mary R. Byers

B.Gen. Peter Cameron
Mac D. Campbell
E. J. Chard
Jack W. Chute
John H. C. Clarry
James H. Claydon
Katherine Cleaver
Noreen Clement
J. M. Coker
H.Col. William J. Coyle
Shirley Crang
Dr. Kalman N. Czegledy

Thomas P. D'Aquino
R. G. Dale
The Hon. Barnett Danson
S. Darveshali
Michael B. Deeb
Mihajlo Dika
A. Carlyle Dunbar

Stuart E. Eagles
Jake Epp

Peter B. G. Ferguson
George Fierheller
Robert J. Fleming
Don Forsey
Carl Fox
Hugh Franks
Steve Franks

Murray G. Galloway
Fred Gaskin
Lionel J. Goffart
Dr. M. E. Graham

Paul Haberl-Schicker
Ann Hamilton
C. L. Haney
T. M. Hannan
Allan L. Hardy

H. Clifford Hatch Jr.
Paul Hayes
Frederick A. Helson
Ildiko Hencz
Keith C. Hendrick
Marion Heslewood
Donald E. Hewson
Tom Hockin
Julien Hutchinson

The Hon. Frank Iacobucci

Rev. Edward J. R. Jackman
Aileen Jackson
Bernice Jackson
Thomas G. Jamieson

Chaitanya Kalevar
Taimi Kapsi Cushing
Shamsh Kara
Carrie Kaye
Clayton Keefe
Barry Khojajian
Harry Kim
C. Wallis (Wally) King
Marie Knaul
L.Col. Gerhard A. W. Knopf
Ted W. Kulp

John Lang
Peter Large
Joe Lassaline
Jack Lawrence
Andrew Lawson
Bernie Leaman
John R. Lewis
J. P. Liddle
Mary Liitoja
Robert Logan
Arlette Londes
Margit Lovrics

Dr. H. Ian Macdonald
Margaret Macdonald
Glory M. MacIntyre
Robert K. Mackenzie
Rev. Arthur Macrae
The Hon. Barbara McDougall
Marjorie McLetchie
Sydney R. McMorran
Eileen R. McNeil
John C. Medcof
Dr. Daniel M. Mehta
J. Alexander Menzies

Elizabeth Minaker
Laetitia Murray

Douglas C. Nesbit
Edwin T. Nobbs

Krystyna J. Orlowski
Col. Edmunds Ozols

Elizabeth Parker
Janet Peaker
David W. Pretty

Manfred Rainer
Hari S. Rao
Darcy Rector
Walter Roberts
George A. Ross

Jeffery Sack
Marie Scanlan
Graham W. S. Scott
R. Dorene Seltzer
John Sibbald
Oscar T. Sigsworth
Oskar Sigvaldason
John S. Smith
Gerald M. Soloway
Shael S. Sone
R. Bredin Stapells
Donald Steadman
Bette M. Stephenson
Sinclair M. Stevens
John D. Stevenson
Robert V. Stinson
Gunter Strangemann
Thomas John Succamore
Gordon W. Swayze
John H. Switzer
Thomas H. B. Symons

The Hon. M. M. van Camp
Marianne Varkony
Shirley Velletta

David Walker
John F. T. Warren
William D. Wemp
Charles Russell Whittington
Marina Winters
James Wood

Ernest Younes
Daphne Young

Regular Members

Hugh Agro
Angela Albini
Peter Altimas
Fariba Anderson
Nichole Anderson
Rob Anderson
Nancy Hughes Anthony
Alfred Apps
Nicholas Armour
Anthony H. Arrell
Toni Ashton

Lisa A. Baiton
Jack Bakker
John F. Bankes
Nick Barisheff
Rev. Canon Kimberley J. Beard
Pierre Beaumier
Lynn Beauregard
Warren Bell
Rahul K. Bhardwaj
Capt. S. W. (Sam) Billich
Mark Binns
Daniel Bonin
Paul Boreham
Sandor E. Borosh
Peter N. Borst
Philip Bousquet
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Auditors' Report

To the Members of
The Empire Club of Canada

We have audited the financial position of the Empire Club of Canada as at June 30, 2009 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at June 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Ontario Corporations Act, we report that in our opinion, with the exception of the changes disclosed in note 2, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
September 18, 2009

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Financial Position for the Year Ended June 30, 2009 with Comparative Figures for 2008

	2009	2008
Assets		
Current Assets		
Cash	$ 21,502	$ 215,448
Short-term investments (note 4)	276,148	194,491
Accounts receivable	40,445	48,943
Prepaid expenses	2,816	4,295
	340,911	463,177
Capital Assets (note 6)	1	1
	$340,912	$463,178
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 83,911	$ 33,127
Due to the Empire Club Foundation	24,838	—
Deferred revenue	2,514	6,521
	111,263	39,648
Net Assets		
Unrestricted	229,649	423,530
	$340,912	$463,178

Signed on behalf of the Board

Richard Goodall
Treasurer

Jo-Ann McArthur
President

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB OF CANADA
Statement of Cash Flows for the Year Ended June 30, 2009 with Comparative Figures for 2008

	2009	2008
Cash provided by (used in):		
Operations		
Excess of expenses over revenue	$(193,881)	$ (15,221)
Changes in non-cash operating working capital:		
Short-term investments	(81,657)	152,601
Accounts receivable	8,498	(30,482)
Prepaid expenses	1,479	(948)
Accounts payable	50,784	(25,232)
Due to the Empire Club Foundation	24,838	(629)
Deferred revenue	(4,007)	3,634
	(193,946)	83,723
Increase (Decrease) in Cash	(193,946)	83,723
Cash, Beginning of Year	215,448	131,725
Cash, End of Year	$ 21,502	$215,448

Signed on behalf of the Board

Richard Goodall
Treasurer

Jo-Ann McArthur
President

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Statement of Operations and Net Assets for the Year Ended June 30, 2009 with Comparative Figures for 2008

	2009	2008
Revenue		
Luncheons:		
Regular	$ 96,432	$210,205
Special and joint	187,273	167,378
	283,705	377,583
Direct expenses:		
Regular	(76,361)	(205,612)
Special and joint	(92,698)	(91,403)
	(169,059)	(297,015)
	114,646	80,568
Other revenue:		
Head table sponsors	44,400	113,650
Membership fees	23,117	27,103
Interest	12,305	18,578
	194,468	239,899
Expenses		
Office and general	113,073	66,820
Office salaries and employee benefits	163,437	95,210
Web site and E-commerce	37,009	—
Yearbook donation	25,000	50,000
Office furniture and equipment	15,196	—
Rent	14,031	14,048
Members' notices	8,141	11,595
Printing, stationery and postage	6,788	4,783
Telephone	5,001	6,301
Uncollectable accounts receivable	583	6,363
	388,349	255,120
Excess of Expenses over Revenue	(193,881)	(15,221)
Net Assets, Beginning of Year	423,530	438,751
Net Assets, End of Year	$229,649	$423,530

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB OF CANADA
Notes to Financial Statements
for the Year Ended June 30, 2009

General

The Empire Club of Canada (the "Club") was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

1. *Significant Accounting Policies*

(a) Revenue recognition:
The Club follows the deferral method of accounting for contributions. Membership revenue is recognized as revenue in the year to which the membership relates. Luncheon revenue and sponsorships are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and interest are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Short-term investments:
Short-term investments are designated as held-for-trading and are carried at fair value. Transaction costs related to the purchase of investments are capitalized and sale of investments are expensed in the year incurred. Changes in unrealized gains are treated as an increase or decrease in the statement of operations.

(c) Financial instruments other than short-term investments:
The Club designates its cash as held-for-trading, which is measured at fair value. Accounts

receivables are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

(d) Capital assets:
Capital assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as office and general expenditures in the year acquired.

(e) Due to the Empire Club Foundation:
A donation to the Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year.

(f) Deferred revenue:
Deferred revenue consists of membership fees paid in advance, unredeemed luncheon tickets and life memberships not yet amortized. Life memberships are amortized into revenue over the expected 30-year life of a member. Effective April 30, 2002, life memberships are no longer offered; however any remaining balances will continue to be amortized over their remaining terms.

(g) Use of estimates:
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. *Change in Accounting Policies*

(a) Capital disclosures:
Effective July 1, 2008, the Club adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA) relating to the accounting for and disclosure of capital:

Section 1535, Capital Disclosures, establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Club is required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital. Adoption of this standard had no effect on the financial statements for the year ended June 30, 2009.

(b) Financial instruments—Disclosures and Presentation:

The Club has adopted the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3861, Financial Instruments—Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt Not-For-Profit organizations for the disclosure requirements with respect to financial instruments contained within Section 3862, Financial Instruments—Disclosures, and Section 2863, Financial Instruments—Presentation, the Club has elected not to adopt these standards in its financial statements. The Club has continued to disclose and present financial instruments under the Handbook Section 3861, Financial Instruments—Disclosure and Presentation, for the year ended June 30, 2009.

3. *Future Accounting Changes*

The Canadian Institute of Chartered Accountants' Handbook Section 4400, Financial Statement Presentation by Not-For-Profit Organizations:

Recent amendments to Section 4400, Financial Statement Presentation by Not-For-Profit Organizations, will modify the requirement with respect to various elements of financial statement presentation. These amendments include:

(i) reporting certain revenue at its gross amount in the statement of operations;

(ii) the elimination of the requirement to treat net assets invested in property and equipment as a separate component of net assets; and

(iii) when a not-for-profit organization classifies its expenses by function and allocates some of its general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from general support costs to other functions.

The new standard applies to financial statements relating to fiscal years beginning on or after January 1, 2009. The Club is evaluating the impact of the amendments on its financial statements.

4. *Short-term Investments*

Short-term investments are comprised of liquid fixed income securities and money market funds.

(a) Interest rate risk and maturity risk:
The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. The fixed income investments consist of guaranteed investment certificates, bearing interest at a rate of 3.65% (2008—3.65% to 4.55%) and maturing on June 7, 2010 (2008—June 7, 2010 to May 20, 2015).

(b) Market risk:
Market risk arises as a result of trading fixed income securities and money market funds. Fluctuation in the market exposes the Club to a risk of loss.

(c) Credit risk:
The Club has a financial instrument that potentially exposes it to the credit risk, and this instrument is accounts receivables. Accounts receivables include credit provided to the patrons of the Club. The Club advances credit only to the credit-worthy patrons. The carrying amount of this financial asset represents the maximum credit exposure.

5. *Fair Value of Financial Instruments*

The carrying value of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, and due to the Empire Club Foundation approximate their fair values due to the relatively short periods to maturity of these instruments or because they are receivable or payable on demand.

6. *Capital Assets*

The Club's capital assets consist of office furniture and equipment. These items have been recorded in the financial statements at $1, with the balance of the cost being expensed in the year of acquisition. During the year, $15,196 (2008—nil) related to office furniture and equipment and $37,099 (2008—nil) related to Web site and E-commerce costs were expensed.

7. *Comparative Figures*

Certain 2008 comparative figures have been reclassified to conform with the financial presentation adopted in the current year.

THE EMPIRE CLUB FOUNDATION

October, 2009

Fellow members,

It is a great honour and pleasure to be able to present to you this keepsake of The Empire Club of Canada's 105th consecutive compendium of speeches. It is also distributed to libraries across the country as well as to our embassies around the world. This annual book makes The Empire Club of Canada unique among speaker's fora across the world.

The 2008–2009 season has been a particularly challenging one for The Empire Club of Canada. The Club was faced with an increasingly competitive speaker's environment, at a time when the Club made some needed investments in infrastructure, within the context of an economic downturn that simultaneously hurt the Club's ability to generate sponsorship income.

We are all grateful to Jo-Ann McArthur for her efforts over the past year. Her leadership has strengthened the Club's reputation as the leading speaker's forum of record in the country. Each President brings special gifts, and this year was no exception.

Although this physical volume remains, and will always be, an important part of the activities of The Empire Club Foundation, we are encouraged by the ever-increasing popularity of our Web site which contains the text of all speeches ever made to The Empire Club of Canada. We believe that this Web site is and will be an invaluable resource for anyone who believes that understanding the past might in some small way improve the future.

The financial statements that follow this report reflect the significant and generous support of the members and friends of The Empire Club of Canada. We are also indebted to Gary and Carolyn Metcalfe at Fine Impressions, who have provided a steady hand at the tiller for many years now. On behalf of The Empire Club Foundation I thank everyone who helps maintain and grow our tradition.

Sincerely,
John C. Koopman
Chairman

THE EMPIRE CLUB FOUNDATION

Patron

Col. The Hon. Henry N. R. Jackman, OC, CD, KStJ, LL.D

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Auditors' Report

To the Members of
The Empire Club Foundation

We have audited the statement of financial position of the Empire Club Foundation as at April 30, 2009 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at April 30, 2009 and the results of its operations and the changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that in our opinion, with the exception of the changes disclosed in note 2, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP
Chartered Accountants

Toronto, Canada
September 18, 2009

Financial Report

THE EMPIRE CLUB FOUNDATION
Statement of Financial Position for the Year Ended April 30, 2009 with Comparative Figures for 2008

	2009	2008
Assets		
Current Assets:		
Cash	$ 27,827	$ 20,646
Short-term investments (note 4)	80,709	88,018
Interest receivable	1,475	2,304
Due from the Empire Club of Canada	24,838	50,000
GST receivable	830	3,615
	$ 135,679	$ 164,583
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 97,751	$ 126,053
Net Assets	37,928	38,530
	$ 135,679	$ 164,583

Signed on behalf of the Board

John C. Koopman
Chairman

Richard Goodall
Treasurer

The accompanying notes are an integral part of these financial statements.

Financial Report

THE EMPIRE CLUB FOUNDATION
Statement of Operations and Net Assets for the Year Ended April 30, 2009 with Comparative Figures for 2008

	2009	2008
Revenue		
Donations:		
The Empire Club of Canada	$ 25,000	$ 50,000
Supporters	18,960	14,506
Interest	2,186	3,041
	$ 46,146	$ 67,547
Expenses		
Yearbook	45,542	52,159
Stationery, postage and other expenses	1,206	8,828
	$ 46,748	60,987
Excess (Deficiency) of Revenue over Expenses	(602)	6,560
Net Assets, Beginning of Year	38,530	31,970
Net Assets, End of Year	$ 37,928	$ 38,530

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION
Notes to Financial Statements for the Year Ended April 30, 2009

The Foundation

The Empire Club Foundation (the "Foundation") was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to the Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

1. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Those estimates are reviewed periodically and as adjustments become necessary, they are reported in the years in which they become known.

(a) Revenue Recognition:
The Foundation includes donations in revenue when received, except for donations from the Empire Club of Canada, which are included in revenue when pledged.

(b) Expenses:
The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

(c) Short-term investments:
These investments are categorized as held-for-trading and are carried at fair value. Transaction costs related to the purchase of the investments are capitalized and sale of investments are expensed in the year incurred. Changes in unrealized gains are treated as an increase or decrease in the statement of operations.

(d) Financial instruments other than short-term investments:
The Foundation designates its cash as held-for-trading, which is measured at fair value. Interest receivable is measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

2. *Change in Accounting Policies*

(a) Capital disclosures:
Effective May 1, 2008, the Foundation adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA) relating to the accounting for and disclosure of capital: Section 1535, Capital Disclosures, establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Foundation is required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital. Adoption of this standard had no effect on the financial statements for the year then ended April 30, 2009.

(b) Financial instruments—Disclosure and Presentation:
The Foundation has adopted the Canadian Institute of Chartered Accountants' (CICA) Handbook

Section 3861, Financial Instruments—Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt Not-For-Profit organizations for the disclosure requirements with respect to financial instruments contained within Section 3862, Financial Instruments—Disclosures, and Section 2863, Financial Instruments—Presentation, the Foundation has elected not to adopt these standards in its financial statements. The Foundation has continued to disclose and present financial instruments under the Handbook Section 3861, Financial Instruments—Disclosure and Presentation, for the year ended April 30, 2009.

3. *Future Accounting Changes*

The Canadian Institute of Chartered Accountants' Handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations:

Recent amendments to section 4400, Financial Statement Presentation by Not-for-Profit Organizations, will modify the requirement with respect to various elements of financial statement presentation. These amendments include:

(i) reporting certain revenue at its gross amount in the statement of operations;

(ii) the elimination of the requirement to treat net assets invested in property and equipment as a separate component of net assets; and

(iii) when a not-for-profit organization classifies its expenses by function and allocates some of its general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from general support costs to other functions.

The new standard applies to financial statements relating to fiscal years beginning on or after January 1,

2009. The Foundation is evaluating the impact of the amendments on its financial statements.

4. *Short-term Investments*

Short-term investments are comprised of Guaranteed Investment Certificates (GICs).

(a) Interest rate risk and maturity risk:
The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. The fixed income investments consist of a GIC, bearing interest at a rate of 2.40% (2008—3.45%) and maturing on July 27, 2009 (2008—July 25, 2008).

(b) Market risk:
Market risk arises as a result of trading fixed income securities. Fluctuation in the market exposes the Foundation to a risk of loss.

5. *Statement of Cash Flows*

A statement of cash flows has not been presented as it would not provide any additional meaningful information.

6. *Fair Value of Financial Assets and Financial Liabilities*

The carrying values of cash, short-term investments, interest receivable, due from the Empire Club of Canada, GST receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short term to maturity of these items or because they are receivable or payable on demand.

CONSTITUTION

The Empire Club of Canada By-Law No. 1

Being a special by-law relating generally to the administration of affairs of The Empire Club of Canada

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ARTICLE II *Business of the Club*
ARTICLE III *Purpose and Object of the Club*
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The following is hereby enacted as By-Law No. 1 of The Empire Club of Canada (hereinafter called the "Club"):

ARTICLE I *Definitions and Interpretation*

Section 1.01 Definitions

In this By-Law, the following words and phrases shall have the following meanings, respectively:

a) **"Act"** means the *Corporations Act*, R.S.O. 1990, c.C.38 as amended, and every statute that may be substituted therefore and, in the case of such substitution, any reference in the By-Law of the Club to provisions of the Act shall be read as references to the substituted provisions therefore in the new statute or statutes;

b) **"Board"** means the board of Directors of the Club;

c) **"By-law"** means this By-Law and all other by-laws and special by-laws from time to time in force and effect;

d) **"Club"** means the corporation incorporated by Letters Patent issued on the 26th day of March 1912, pursuant to *The Ontario Companies' Act* and operating under the name of The Empire Club of Canada;

e) **"Notice"** means, the provision of information, orally, or in writing, and may be communicated via telephone, facsimile transmission, publication, or electronic mail, and is deemed to be effective on the date the notice is sent or published, and such Notice shall be sufficient if addressed to the Members at their respective Recorded Address, and deposited post paid in the post office in Toronto;

f) **"Recorded Address"** means, in the case of a Member, his or her address as recorded in the register of Members and, in the case of a Director, Officer, auditor or member of a committee of the Board, his or her address as recorded in the records of the Club;

g) **"Registered Office"** of the Club will be at such location in the City of Toronto as determined by the Board from time to time;

h) **"Special Resolution"** means a resolution passed by the vote of at least two-thirds of the Members present and voting at a duly convened meeting;

i) **"Member"** means a member of the Club; and

j) **"Officer"** means those officers of the Club set out in Article VIII.

Section 1.02 Interpretation

This By-Law shall be interpreted in accordance with the following, unless the context otherwise specifies or requires:

a) Words importing the singular number or the masculine gender shall include the plural number or the feminine gender, as the case may be, and vice versa, and references to persons shall include individuals, firms and corporations; and

b) Headings used in this By-Law are inserted for reference purposes only and are not to be considered or taken into account in construing the terms or provisions thereof or to be deemed in any way to clarify, modify or explain the effect of any such terms or provisions.

Section 1.03 Repeal of Previous By-Laws

All previous By-Laws relating to the administration of the affairs of the Club are hereby repealed and replaced with this By-Law.

ARTICLE II *Business of the Club*

Section 2.01 Name

The name of the Club is "The Empire Club of Canada."

Section 2.02 Registered Office

Until changed in accordance with the Act, the Registered Office of the Club shall be in the Province of Ontario and at such location therein as the Board may, from time to time, determine by resolution.

Section 2.03 Corporate Seal

The seal, an impression whereof is stamped in the margin hereof, shall be the seal of the Club.

ARTICLE III *Purpose and Object of the Club*

The purpose and object of the Club is to promote the interests of Canada and the British Commonwealth of Nations.

ARTICLE IV *Membership*

Section 4.01 Classes of Members

The membership of the Club shall consist of:

a) Life Members;

b) Senior Members

c) Regular Members;

d) Junior Members; and

e) Spousal Members

All members of classes (a), (c), and (e), must be the full age of eighteen years (excepting Senior Spousal Members), and otherwise have the capacity under law to contract.

Section 4.02 Life Members

Members of the Club in good standing may be elected to be Life Members by a two-thirds majority of those present at a Board meeting. Life Members shall pay one fee only, variable by age of the applicant, as may be fixed and published from time to time by the Board of Directors.

Section 4.03 Senior Members

Senior Members of the Club shall be of such age, and employment status, as determined by the Board of Directors from time to time.

Section 4.04 Regular Members

Candidates for Regular Membership shall be proposed by a Member in good standing and shall be elected by a two-thirds majority of those present at a Board meeting.

Section 4.05 Junior Members

Candidates for Junior Membership shall be between the ages of 14 and 35 years, proposed by a Member in good standing, and elected by a two-thirds majority of those present at a meeting of the Board of Directors.

Section 4.06 Spousal Members (Regular and Senior)

Spousal Members are charged annually a lesser membership fee for a spouse living at the same address as a Regular Member, Junior Member, or Senior Member.

Section 4.07 Membership Fees

a) All Members (excepting Life Members) shall pay respectively such annual fees as may be fixed and published from time to time by the Board of Directors;

b) All Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the 30th day of September in the following year; and

c) For all Members, membership shall end June 30, and if any Member is in arrears for fees after February 1 of the following year, such Member will no longer be considered in good standing.

ARTICLE V *Directors*

Section 5.01 Duties and Powers of Directors

The affairs of the Club shall be managed by a Board of Directors who may exercise all such powers and do all such acts and things as may be exercised or done by the Club.

Section 5.02 Number

The Board of Directors shall comprise 40 persons and shall include all of the following:

a) 30 Members;

b) The four Immediate Past Presidents; and

c) six Officers.

Section 5.03 Quorum

Ten Directors present at a meeting of the Board shall constitute a quorum.

Section 5.04 Qualification of Directors

Each Director shall:

a) be at least eighteen (18) years of age;

b) be a Member of the Club;

c) not be an undischarged bankrupt; and

d) have the capacity under law to contract.

Section 5.05 Nomination and Election of Directors

Nominations for election as Director at the Annual Meeting of the Club may be made in accordance with the following process:

a) The Board shall charge a committee with responsibility for the nominations process relating to the election of Directors, (the "Nominating Committee"), which shall consist of five Directors and four other Members of the Club;

b) The Nominating Committee shall be appointed annually by the Board of Directors in accordance with Article 7.01;

c) The Nominating Committee shall prepare a list of the nominations for Directors for the ensuing year;

d) The Chair (or acting Chair) of the Nominating Committee shall report the nominations to the Annual Meeting at which the Board of Directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of Director at the Annual Meeting;

e) If nominations do not exceed the number of Directors necessary, the Chair of the meeting may instruct the Secretary to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the Chair to have been duly elected;

f) If the nominations exceed the number of Directors necessary, the Chair will call for a show of hands, unless a poll be demanded by the Chair or by any candidate for election. Upon a show of hands every member having voting rights shall have one vote and a declaration by the Chair that a resolution has been carried or not carried followed by an entry to that effect made in the minutes of the Club shall be prima facie evidence of the fact without proof of the number or proportion of the votes accorded in favour or against such resolution. The demand for a poll may be withdrawn, but if a poll be demanded and not withdrawn the question shall be decided by a majority of the votes cast and such poll shall be taken in such manner as the Chair shall direct. The result of such poll shall be deemed the decision of the Club upon the matter in question. In the event of the equality of the votes cast, whether by a show of hands or by a poll, the Chair shall be entitled to a second or casting vote; and

g) No person shall be elected a Director unless he is a Member in good standing.

Section 5.06 Honorary Directors

A Member, whose service to the Club has been exemplary, may be elected to the position of Honorary Director annually by a two-thirds majority of Directors, subject to re-election.

Section 5.07 Remuneration of Directors

The Directors shall receive no remuneration for acting as such.

Section 5.08 Casual Vacancies

In the event of any vacancy occurring in the office of Director, the remaining Directors may fill the vacancy from among the Members for the unexpired portion of the term of office of the person whose office is vacant.

ARTICLE VI *Meetings of The Board*

Section 6.01 Procedure

The procedure for regular Board meetings is as follows:

a) Board meetings shall be called by the President, or on a requisition signed by ten Directors;

b) The President shall, when present, preside at all meetings of the Members and of the Board of Directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority, shall act as Chair at such meetings;

c) Questions arising at any meeting of the Directors shall be decided by a majority of votes unless otherwise specifically provided by statute or this By-Law. In the case of an equality of votes, the Chair of the meeting, in addition to his original vote, shall have a second or deciding vote;

d) All votes at any meeting shall be taken by ballot if so demanded by a majority of Directors present, but if no demand be made, the vote shall be taken by a show of hands; and

e) A declaration by the Chair of the meeting that a resolution has been carried and an entry to that effect in the minutes shall be admissible in evidence as prima facie proof of the fact without proof of the number of proportion of the votes recorded in favor of or against such resolution.

Section 6.02 Notice

a) Notice shall be given to each Director and Honorary Director five days or more before the Board meeting is to take place, provided that a Board meeting may be held at any time if all Directors are present or if those absent have waived Notice or otherwise signified their consent to such meeting being held in their absence, in writing;

b) Notice of regular Board meetings may be given via telephone, facsimile transmission or electronic mail to each Director, and Honorary Director;

c) Waiver of Notice may be given via facsimile transmission or electronic mail to each Director, and Honorary Director; and

d) The Board may appoint a day or days in a month or months for regular meetings, at an hour or place to be named, and of such regular meetings, no notice need be given.

ARTICLE VII *Committees*

Section 7.01 Standing Committees

The following standing committees and the Chair of each shall be appointed by the Board of Directors as soon as convenient after each election of the Board:

a) Budget and Finance Committee;

b) Speaker's Committee;

c) Membership Committee;

d) Constitution and Corporate Governance Committee;

e) Reception Committee;

f) Publicity and Public Relations Committee;

g) Yearbook Committee;

h) Head Table and Attendance Committee; and

i) Nominating Committee;

provided that for any year the Board of Directors may by resolution elect not to appoint any one or more of such committees.

Section 7.02 Other Committees

The President or the Board of Directors may from time to time appoint such other Committees as may be deemed expedient, necessary or appropriate for such purposes and with such powers as the President or the Board shall see fit.

Any such Committee may formulate its own rules of procedure, subject to such regulations or directions as may from time to time be made by the President or the Board.

Section 7.03 Removal from Committees

Any committee member may be removed by resolution of the Board.

ARTICLE VIII *Officers*

Section 8.01 Appointment of Officers

The Board of Directors shall meet as soon as convenient after their election for the purpose of appointing the Officers of the Club for the period ending June 30th in the next year, but each Officer shall continue in office until his successor is appointed. No notice of the meeting to appoint new Officers is required if this meeting is held immediately after the Annual Meeting.

Section 8.02 Honorary Officers

The Honorary Officers of the Club shall consist of the following:

a) Honorary President;

b) Honorary Vice-President;

c) Honorary Chairman;

d) Honorary Secretary;

e) Honorary Treasurer; and

f) Honorary Solicitor.

Section 8.03 Officers

The Officers of the Club shall consist of the following:

a) President;

b) First, Second and Third Vice-Presidents;

c) Secretary; and

d) Treasurer.

Section 8.04 Qualifications

a) All Officers other than Honorary Officers shall be Directors of the Club;

b) No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a Member in good standing; and

c) In the event of a vacancy occurring in any office, the Board of Directors may fill the vacancy for the un-expired portion of the term.

ARTICLE IX *Regular, Special and Annual Meetings*

Section 9.01 Regular Meetings

The Club shall hold Regular Meetings weekly, if possible, from September to June, inclusive, with such intermissions as may from time to time be determined by the Board of Directors.

Section 9.02 Special Meetings

Special Meetings of the Club may be called at any time by the President, or on a requisition signed by ten Directors.

Section 9.03 Annual Meetings

The Annual Meeting shall be held not later than June 30th of each year. At the Annual Meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim financial report from the Treasurer.

Section 9.04 Notice of Meetings to Members

a) Notice of all Regular Meetings shall be given to all Members of the Club at their Recorded Address;

b) Notice of all Special and Annual Meetings shall be given to all Members of the Club at least ten days prior to the date upon which the meeting is to be held; and

c) The accidental failure or omission to give notice to any Member shall not invalidate the proceeding at any meeting.

Section 9.05 Quorum at Meetings

Sixteen Members in good standing shall constitute a quorum at any meeting of the Members of the Club.

Section 9.06 Limitation of Business at Regular Meetings

No business shall be introduced at any Regular Meeting of the Club by any person other than the Chair of the meeting, unless it has been approved by the Board prior to the meeting.

ARTICLE X *Fiscal Year*

The fiscal year of the Club shall end on such day in each year as may be fixed by the Board of Directors, but if not so fixed by the Board, it shall end on June 30.

ARTICLE XI *Not-For-Profit Corporation*

The Club shall be operated without the purpose of gain for any of its Members and any profits or other accretions to the Club shall be used in promoting the objects of the Club.

ARTICLE XII *Amendment of By-Laws*

The By-Laws of the Club may be repealed or amended by a by-law enacted by the Board of Directors and sanctioned by an affirmative vote of two-thirds (2/3) of the Members at a meeting duly called for the purpose of considering such repeal or amendment.

ARTICLE XIII *Auditor*

a) An Auditor shall be appointed at each annual meeting at a remuneration to be determined by the Directors.

Section 14.01 Protection

For the protection of Directors and Officers:

a) No Director or Officer shall be liable for the acts, receipts, neglects or defaults of any other Director, Officer or employee or for any loss, damage or expense happening to the Club through the insufficiency or deficiency of title to any property acquired by order of the Board or for or on behalf of the Club or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Club shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or company with whom or which any moneys, securities or effects shall be lodged or deposited or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of such Director's or Officer's respective office or trust or in relation thereto, unless the same shall happen by or through such Director's or Officer's own wrongful and willful act or through his own wrongful and willful neglect or default.

b) Directors and Officers shall not be liable to the Club for any costs, charges, expenses, loss or liability which the Club shall suffer or incur for, by reason of, arising out of, or in any way relating to any act, deed, matter or thing made, done or permitted to be done or omitted to be done by him in the performance of his duties and functions (or in the performance of what he honestly believed was in the proper performance of his duties and functions), provided he acted or made such omission honestly, in good faith and without fraud or fraudulent intent.

Section 14.02 Indemnity

Every Director or Officer of the Club, and his heirs, executors and administrators, and estate and effects, respectively, shall from time to time and at all times, be indemnified and saved harmless out of the funds of the Club from and against:

a) any and all costs, charges and expenses whatsoever which such Director or Officer sustains or incurs in or about any action, suit or proceeding that is brought, commenced or prosecuted against him, for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by him, in or about the execution of the duties of his office; and

b) any and all costs, charges and expenses that he sustains or incurs in or about or in relation to the affairs thereof, except such costs, charges or expenses as are occasioned by his own willful neglect or default.

Section 14.03 Insurance

The Board shall cause to be purchased such insurance as it considers advisable and necessary to ensure that Directors and Officers will be indemnified and saved harmless in accordance with this By-Law; the premiums for such insurance coverage shall be paid from the funds of the Club.

ARTICLE XV *Financial Matters*

Section 15.01 Authorized Signing Officers

Contracts, documents or other instruments in writing requiring the signature of the Club shall be signed by any two Officers and all contracts, documents, and instruments in writing so signed shall be binding upon the Club without any further authorization or formality. The Board shall have power from time to time by resolution to appoint an Officer or Officers on behalf of the corporation to sign specific contracts, documents and instruments in writing. Any financial obligation in excess of $25,000 to be incurred by the Club shall require Board authorization.

Section 15.02 Banking and Borrowing

a) Bank accounts of the Club shall be kept at such banks and in such places and shall be operated in such manner and by such person or persons as the Board shall from time to time determine by by-law.

b) The Board may from time to time:

   i) borrow money on the credit of the Club;

   ii) issue, sell or pledge debt obligations (including bonds, debentures, debenture stock, notes or other like liabilities whether secured or unsecured) of the Club;

   iii) charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Club, including book debts, rights, powers, franchises and undertakings, to secure any debt obligations or any money borrowed, or other debt or liability of the Corporation; and

   iv) delegate the powers conferred on the Board under this paragraph to such Officer or Officers of the Club and to such extent and in such manner as the Directors shall determine.

Section 15.03 Investments

The Board may invest in any investments which are authorized by the Club's investment policy as determined by the Board from time to time.

Section 15.04 Trust Funds

a) No benefit given in trust to or to the use of the Club for endowment purposes shall be hypothecated, transferred or assigned to obtain credit or to receive funds except as allowed by the *Trustee Act* (Ontario);

b) The Secretary shall keep at the Registered Office of the Club copies of all testamentary documents and trust instruments by which benefits are given, bequeathed or devised to, or to the use of, the Club;

c) The Club shall apply any trust funds of the Club only to the designated purpose(s) for which such funds were intended. Under no circumstances shall the Club transfer any funds held in trust by the Club to any other individual or entity, unless such transfer complies with all applicable law, including without limitation, the *Charities Accounting Act* (Ontario) and the *Trustee Act* (Ontario); and

d) The Treasurer shall at least semi-annually provide an accounting to the Board with respect to all funds held in trust by the Club.